Austria	Sch24	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.700	Iran	Rls210	Philippines	Peso40
Belgium	BFr65	Israel	Shk3.50	Poland	Zl 9,000
Cyprus	C£0.90	Italy	L2000	Portugal	Esc165
Denmark	DKr12.00	Jordan	JD1	Qatar	QR9.50
Egypt	E£3.25	Kuwait	Fils.500	S.Arabia	SR7.00
Finland	FM8.50	Lebanon	L£400.00	Singapore	S$4.10
France	FFr7.50	Lux	LFr55	Spain	Pta165
Germany	DM2.80	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr180	Morocco	MDh8.50	Switz	SFr2.50
Hong Kong	HK$12	Neth	Fl 3.25	Thailand	Bht50
Hungary	Ft107	Nigeria	Naira10	Tunisia	Din0.800
Iceland	IKr140	Norway	NKr12.00	Turkey	L2000
India	Rs15	Oman	OR1	UAE	Dh7.00

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EAST GERMANY

The ultimate state bankruptcy hearing

Page 18

World News

Gorbachev rejects call by Solzhenitsyn on new state

President Mikhail Gorbachev firmly rejected the call by the writer Alexander Solzhenitsyn for the dissolution of the USSR and the creation of a Slavic state, but praised the former exile, describing him as "without doubt, a great man". Page 8

De Klerk pledge

President F.W. de Klerk said for the first time he was willing to accept the idea of one man, one vote for South Africa as long as any new system contained firm guarantees for the rights of minority groups and that there could be a majority of blacks in official and public positions and a black prime minister.

Caste row rages

V.P. Singh, India's prime minister, is under pressure to reverse the government's decision in August to reserve jobs for low-caste people, as violence by student protesters escalated sharply in New Delhi and other areas. Page 5

Anti-Mafia moves

The Italian government is preparing fresh measures to strengthen the anti-Mafia efforts of police and magistrates after an extraordinary call to arms by President Francesco Cossiga. Page 8

Bank's poverty plea

World Bank president Barber Conable urged the international community to make as big an effort combating poverty as it had in dealing with the Gulf crisis. Page 4

Bhutto charges

Pakistan's interim rulers extended their legal challenge against the family of former Prime Minister Benazir Bhutto by filing fraud charges against her husband and father-in-law. Page 5

Cuba job crisis

Cuban President Fidel Castro said that an economic crisis on the island could result in hundreds of thousands of unemployed workers in the capital Havana. Page 4

Bangkok fireball

At least 44 people were killed and more than 100 injured in Bangkok when a truck carrying liquefied petroleum gas crashed into a line of cars and exploded. Page 7

Soviets back plan

The Soviet Union enthusiastically endorsed a joint Spanish and Italian proposal to create a permanent Conference on Security and Co-operation in the Mediterranean. Page 8

Andorra reform

Andorra, a tiny state on the French Spanish border where strikes are banned and more than three-quarters of the population are classed as foreigners and not allowed to vote, is about to draw up its first constitution.

Vietnamese visit

Vietnamese foreign minister Nguyen Co Thach will meet US secretary of state James Baker in New York on Friday for the first such high-level meeting since the Vietnam war.

Strike hits markets

Domestic and foreign banks in Athens are running short of money as the general strike in Greece enters its 17th day.

Dominicans on alert

Security forces in the Dominican Republic have been put on alert to deal with expected outbreaks of violence during a three-day strike which begins today. Page 4

Poachers arrested

Tanzania has announced the arrest of 2,500 poachers and the seizure of 11,000 weapons and 3,000 elephant tusks in a two-year anti-poaching campaign.

Business Summary

Elders IXL makes record A$1.3bn loss after write-off

ELDERS IXL, John Elliott's troubled brewing, farming and finance conglomerate, announced a loss of A$1.3bn ($1.08bn) for the year to June 30, after writing off A$1.64bn in abnormal and extraordinary losses. The result was Australia's biggest loss yet. Page 21; Lex, Page 20

MARKETS: Tokyo: Nikkei finished with a loss of 418.51 at 23,359.32, after a day's high of 23,762.03 and a low of 23,218.50. Frankfurt: DAX index closed 62.65 lower at 1,353.40 – its lowest point in 16 months. Wall Street: At mid-session the Dow Jones Industrial Average was quoted 15.84 higher at 2,468.81. Back Page, Section II

NEWS Corporation: Shares in Rupert Murdoch's News Corporation fell to a three-year low in Sydney amid concern about group's debt and suggestions that it might withdraw from Australian Stock Exchange. Page 21

US economy slowed to a virtual halt during the summer, with revised Commerce Department figures showing growth down to an annual 0.4 per cent in the April-to-June period. Page 20

GUINNESS trial: Ernest Saunders will not face trial in the second part of the Guinness prosecution due to begin in January. The fourth Guinness defendant, Sir Jack Lyons, was fined £3m ($5.6m) for his part in the affair. Page 20

TOTAL-CFP, French state-controlled oil group, reported a decline in first half net profits from FFr1.9bn ($365m) to FFr1.3bn. Page 21

ALCOA, US aluminium company, and Japanese metals producer Kobe Steel have announced a joint venture to produce aluminium can stock in Japan and to develop aluminium products for the automotive industry. Page 20

RAY MacSharry, European Community's farm commissioner, promised that "neither stocks nor budgets" would be allowed to get out of control. Page 31

BRIAN Britton, deputy chief executive of Irish beef processing group Goodman International is to leave the company. Page 21

ACER, Taiwan's biggest producer of personal computers, is to establish a European manufacturing presence, costing $30m-$50m by the end of 1991. Page 23

TARMAC, UK's largest housebuilder, announced pre-tax profits down by more than a third from £153.8m ($289.1m) to £97.8m in the first half. Page 21; Lex, Page 20

CANANEA: The privatisation award of Mexico's state-owned copper company to Grupo Industrial Minera Mexico in alliance with ASEC-Union Minière of Belgium faces a last-minute challenge from Sintemex consortium. Page 23

SA BREWING Holdings said its US and Australian finance arms have signed a $200m Eurocommercial paper programme in Hong Kong. Page 25

FLETCHER Challenge ended its long-standing involvement in New Zealand's fishing industry with the sale of deep-water operations for NZ$139m ($86.9m) to Carter Holt Harvey. Page 23

SOVIET Union is looking for foreign partners to help it launch cellular communications services across the country. Page 8

SWEDEN won a judgment against US anti-dumping practices from a Gatt disputes panel, which decided that the US should revoke anti-dumping duties on certain stainless steel imports and reimburse duty already paid. Page 3

Shevardnadze warns Iraq on UN right to use force

By Robert Mauthner and Michael Littlejohns in New York

IRAQ should have no illusions about the determination of the international community to take military action if peaceful pressure to persuade it to withdraw from Kuwait fails, Mr Eduard Shevardnadze, the Soviet foreign minister, said yesterday.

Addressing the United Nations General Assembly before a crucial Security Council vote on the extension of sanctions against Iraq to air traffic, Mr Shevardnadze warned that war might break out in the Gulf region "at any moment".

Iraq, meanwhile, yesterday welcomed Monday's speech to the UN by Mr François Mitterrand, the French president, in which he proposed a four-stage plan for peace in the Gulf.

An Iraqi government spokesman quoted by the country's official news agency, INA, praised the speech as "non-aggressive" and embraced it as an attempt to "find solutions to regional problems".

Mr Mitterrand insisted in his speech that Iraq withdraw from Kuwait, but added that if there were such a withdrawl "everything would be possible".

He said the international community, including Arab countries, could then work together to solve the problems of Lebanon, the aspirations of the Palestinian people for an independent state and the right of Israel to live in security.

Mr Saddam Hussein, the Iraqi president, has insisted that there can be no solution to the Kuwait crisis which is not linked to the Arab-Israeli conflict.

The White House yesterday reacted cautiously to Mr Mitterrand's proposals and emphasised that France and the US were in accord over the need to enforce UN sanctions against Iraq.

"We certainly are willing to examine every avenue that would lead to a peaceful solution," Mr Marlin Fitzwater, the White House spokesman, said yesterday. "But at this moment it's something we'd have to talk to President Mitterrand about and examine in more detail."

In his address to the UN, Mr Shevardnadze left open the vital question of whether military action would require further recourse to the Security Council. However he left no doubt that the consensus in that body was great enough for such a decision to be taken.

"The United Nations has the power to suppress acts of aggression," he said. "There is ample evidence that this right can be exercised. It will be, if the illegal occupation of Kuwait continues."

The Soviet Foreign Minister emphasised, however, that before this could happen, peaceful means of pressure, including economic sanctions, would have to be exhausted.

While not specifically making it a condition of Soviet participation in any joint military action against Iraq, Mr Shevardnadze nevertheless reiterated Moscow's proposal that the Security Council's Military Staff Committee should be reactivated.

During the Cold War the Committee could not and did not have a role to play. However, it was clear that in the new international climate, the Security Council was unable to

Continued on Page 20

Crisis in the Gulf, Page 2

Common positions: President Ali Akbar Hashemi Rafsanjani of Iran (left) with President Hafez al-Assad of Syria in Tehran yesterday. Iran backed an emerging anti-Iraq front in the Gulf crisis, pledging support for efforts by the Syrian leader to co-ordinate opposition to the Iraqi takeover of Kuwait.

Mr Rafsanjani went out of his way to express unanimity of views with Mr Assad who had travelled to Tehran to lobby for Iranian co-operation. "Whether the situation remains the same, or Iraq is devastated, or the anti-Iraq front is weakened, or war breaks out, or Israel intervenes – we have common positions what to do in each case," Mr Rafsanjani said.

The west, no less than moderate Arab states such as Egypt and Saudi Arabia, is likely to be heartened by developments in Tehran. There were fears that Iran might be wavering in the application of UN sanctions.

Full report, Page 2

Matsushita may launch takeover offer for MCA

By Martin Dickson in New York and Alan Friedman in Los Angeles

MATSUSHITA Electric Industrial, the large Japanese consumer electronics business, is holding talks with MCA on a possible bid for the US entertainment group, which is best known for its ownership of Hollywood's Universal Studios. The bid could be worth some $7bn.

A bid would be the largest single Japanese investment in the US to date and represent a major strategic diversification into entertainment by Matsushita, which makes videocassette recorders and hi-fi equipment.

The company would be following the lead of Japanese rival Sony, which bought another large Hollywood company, Columbia Pictures Entertainment, for $3.4bn last year and spent $2bn on CBS records in 1988.

A takeover would also stir up fresh controversy in the US over the mounting acquisition by Japanese investors of American businesses and cultural landmarks, such as the Rockefeller Centre in New York.

Shares in MCA soared yesterday, to reach $57½ at lunchtime, up $23, when the company confirmed it was in friendly talks with a "major international company," although it added there was no assurance an agreement would be reached on a takeover. In Tokyo, Matsushita acknowledged that it was the other party.

Analysts reckoned that any bid was likely to be pitched in the $80 to $90 a share range. Mr Jeffrey Logsdon, at the Los Angeles-based Seidler Amdec Securities, said: "MCA is one of the premiere entertainment entitities with assets we value at over $7bn. It is one of the last remaining jewels in the industry."

Some half of MCA's revenues come from film and television production, and it has one of Hollywood's largest and most valuable film libraries. It owns a large independent television station, New Jersey-based WWOR, which a foreign company would not be permitted to acquire.

Other MCA interests include records, the Putnam Publishing group, a chain of gift shops, and theme parks, including the Universal Studios tour near Los Angeles. However, a similar $650m park which opened in Florida this year has been plagued with teething problems. MCA's net income last year totalled $191m, up from $164m in 1988, on revenues of $3.38bn.

The company was built up by shrewd acquisitions over four decades by its septuagenarian chairman, Mr Lew Wasserman. It has long been regarded as a potential takeover target and in the mid-1980s held abortive merger talks with the RCA entertainment group.

Mr Wasserman owns some 7 per cent of the shares. The largest single shareholder, with 12 per cent, is Mr David Geffen, who sold his record company – the largest independent in the world – to MCA last year in exchange for stock.

Mr Geffen said yesterday he would sell his stake to Matsushita if that was the MCA board's recommendation.

Russian gatecrasher at IMF-World Bank meeting

By Lionel Barber in Washington

MR Gregori Yavlinksy, the youthful deputy prime minister of the Russian federation, is best described as a gatecrasher to this week's IMF-World Bank meeting.

The architect of what is known as the Shatalin plan to move the Soviet Union to a market economy in 500 days, Mr Yavlinsky is keeping a discreet distance from the Soviet delegation which is making its first official appearance at the Washington gathering.

The presence of two rival delegations is seen by some people as evidence that the disintegration of the Soviet Union is imminent. But Mr Yavlinsky says his goal is altogether more noble: to convince the Bush administration and the international financial establishment that this time the economic reforms are for real.

As he spoke over breakfast yesterday, the bleary-eyed deputy premier looked like a man who knows the enormity of his task.

The decision by the Supreme Soviet on Monday to delay adopting the "500 day" plan came as a stunning blow, undercutting the Russian delegation's efforts to persuade a friendly but still sceptical audience in the US that the Great Leap Forward toward a free market will happen.

Until the news from Moscow, Mr Yavlinsky was doing a more than credible job of explaining in his halting English how his plan would work, helped by Mr George Soros, the ubiquitous Hungarian-American financier who is making a career out of dismantling centrally planned economies in eastern Europe.

The Russian delegation has met some impressive people including Mr Karl Otto Pöhl, president of the Bundesbank; Mr Ryutaro Hashimoto, Japanese finance minister; Mr Robert Glauber, a senior US Treasury official; and Mr Richard Breeden, chairman of the Securities and Exchange Commission. Most important, the delegation has held a 90-minute session with Mr Robert Zoellick, chief adviser to Mr James Baker, US secretary of state.

In the eyes of its admirers, the Shatalin plan's strength is to make a virtue out of the inevitable: the passing of power to the individual Soviet republics. Mr Zoellick spent much of his time probing how the young economic radicals would reconcile this devolution of power with the need to implement the plan from the centre, and how to make it stick. Just a year ago, US officials including Mr Zoellick spent a three-hour flight to Wyoming listening to Soviet promises of economic reform. Some were

Continued on Page 20

INSIDE

UK merger may create Europe's largest commodities exchange

By David Blackwell in London

PLANS to create Europe's biggest commodities exchange have been put forward in a merger proposal by two of London's leading exchanges.

The joint proposal for a merger between the Baltic Futures Exchange and the London Futures and Options Exchange (Fox) has been prompted by the need to concentrate resources in the run-up to the single European market after 1992.

Talks between the two institutions are due to begin soon, but any decision will have to be approved by the exchanges' members – the companies which have seats on the market.

Mr Saxon Tate, chairman of London Fox, said yesterday that if the move went ahead it would create "by far the largest and most dynamic commodities exchange in Europe," well positioned to compete internationally.

The merger would follow close on the heels of the merger planned for early next year by the London International Financial Futures Exchange (Liffe) and the London Traded Options Market, the City's leading derivative exchanges.

Shares in the BFE would be swapped for shares in Fox "on a fair basis related to assets," Mr Mark Blundell, chief executive of Fox said.

The BFE is the smallest of London's commodity exchanges, last year trading 313,500 contracts. It was created only three years ago when the grain, soyabean meal, meat, potato and freight futures markets were amalgamated in order to cut regulatory costs after the implementation of the Financial Services Act.

The agricultural markets are purely domestic; only the freight futures market inspires international interest.

London Fox has been looking for ways to expand its business away from the core cocoa, coffee and sugar contracts, which traded about 4m lots last year. It has launched several contracts on an automated trading system on which it is pinning hopes.

Mr Pat Elmer, chairman of the BFE, said the exchange's board believed that through the merger, the BFE would be able to develop existing contracts and expand into new areas.

"We believe that we can only achieve our full potential in the environment of a larger exchange, and believe that the proposed merger with London Fox will provide just such an environment."

Mr James Gray, chairman of the BFE's marketing committee, said the exchange had increasingly come to recognise the need to offer contracts for Europe, particularly in the run-up to 1992. Paris, Frankfurt and other European centres were developing futures expertise.

"We must make sure we are offering a product that appeals to Europeans," he said.

The BFE had "a lot of potential for development," he added. European contracts in both grain and potatoes were possible, while the freight futures market had "great potential worldwide."

CONTENTS

Change in attitude as Sweden looks to EC for the future

Sweden will be a full member of the EC by the 1990s, if Mr Ingvar Carlsson, the prime minister has his way. Recent events in Europe have undermined the country's traditional commitment to neutrality.

Page 8

MARKETS

STERLING
New York close
$1.870 (1.8815)
London:
$1.8765 (1.8845)
DM2.935 (2.935)
FFr9.8250 (9.8225)
SFr2.440 (2.4425)
Y257.50 (256.25)
£ Index 93.8 (93.4)

GOLD
New York: Comex Dec
$407.6 (408.3)
London:
$404.25 (389.)

N SEA OIL (Argus)
Brent 15-day Nov
$37.85 (38.275)

Chief price changes yesterday: Page 21

DOLLAR
New York close
DM1.5645 (1.5595)
FFr5.2380 (5.2210)
SFr1.3035 (1.298)
Y137.35 (137.38)
London:
DM1.5640 (1.5575)
FFr5.2350 (5.2125)
SFr1.3005 (1.2965)
Y137.25 (136.0)
$ Index 82.5 (62.3)
Tokyo close: Y136.70

US closing rates
Fed Funds 8¼% (8 1/16)
3-mo Treasury Bills:
yield: 7.572% (7.61)
Long Bond:
95 11/32 (95 11/32)
yield: 9.135% (9.17)

STOCK INDICES
FT-SE 100:
1,999.2 (+8.9)
FT Ordinary:
1,526.6 (+16.2)
FT-A All-Share:
965.39 (+0.3%)
New York close
DJ Ind. Av.
2,469.06 (+16.09)
S&P Comp
306.43 (+1.84)
Tokyo: Nikkei
23,359.32 (−418.51)

LONDON MONEY
3-month Interbank:
closing 14 13/16% (14 29/32)
Liffe long gilt future:
Dec 82 31/32 (82 27/32)

EC energy chief tries to talk down oil prices

By **Lucy Kellaway** in Brussels

THE speculators who have pushed oil prices to $40 and more are being cruel to consumers. They are also being illogical, as oil stocks are high and supplies plentiful. But one day prices will fall and they will be left with losses. When that happens, they will get no sympathy.

With this mixture of threat, warning and moral pressure, Mr Antonio Cardoso E Cunha, the EC's energy commissioner, yesterday made a brave attempt to talk down the world price of oil.

The average oil trader, who knows precisely the state of world oil stocks, who is well aware of the market's psychology and its associated risks, may not be convinced.

Mr Cardoso also complained that the value of the vast quantities of oil sold on world markets was set by the price of a few marginal cargoes traded on the spot market. Worse, that the price of gas was also affected. None of this was justified, he said.

Mr Cardoso's remarks revealed that the European Commission has no ideas for how it might affect either demand or supply. "What we are trying to do is to stop the speculation," one official said.

Indeed the EC has never really had a co-ordinated energy policy; energy has been an area that member states have persisted in keeping to themselves.

The Community has a strategic stockpile that it can choose to run down, probably within a general decision by the International Energy Agency. But as Mr Cardoso has pointed out, to start running down stocks in a small way would have no effect on the market; to do so in a big way would be unwise, as they could be needed if war breaks out.

On the demand side, the Commission can set consumption ceilings for member states, but only if supplies are interrupted. In the meantime it has to rely on suggestions for energy savings measures, which officials privately admit have marginal impact.

Iran lines up with Syria in firm opposition to Iraq

By **Tony Walker** in Cairo

IRAN yesterday strongly backed an emerging anti-Iraq front in the Gulf crisis, pledging its support for efforts by Syria's President Hafez al-Assad to co-ordinate opposition to the Iraqi takeover of Kuwait.

Iran's President Ali Akbar Hashemi Rafsanjani went out of his way to express unanimity of views with Mr Assad, who had travelled to Tehran to lobby for Iranian co-operation.

"Whether the situation remains the same, or Iraq is devastated, or the anti-Iraq front is weakened, or war breaks out, or Israel intervenes – we have common positions what to do in each case," Mr Rafsanjani said.

Syria's leader, who is President Saddam Hussein's arch rival, has been promoting an anti-Iraq axis that would include Egypt, Saudi Arabia and Iran in an attempt to contain and possibly eliminate the Baghdad regime.

Mr Assad was clearly delighted by Mr Rafsanjani's remarks and allowed himself a rare display of public humour when Iran's President observed that "during the talks Mr Assad told me: 'Let's bring up a point of difference just for the sake of the reporters.'

"But you did not agree," interjected a smiling Mr Assad. "We couldn't find any," Mr Rafsanjani replied.

The West, no less than moderate Arab states such as Egypt and Saudi Arabia, is likely to be heartened by developments in Tehran. There were fears that Iran might be wavering in the application of UN sanctions.

Mr Rafsanjani's remarks seemed to indicate that not only would Iran support the trade embargo, it would also co-operate more extensively in efforts to exert pressure on Iraq with which it resumed diplomatic relations earlier this month after a three-year break.

While there are differences between Syria and Iran on the presence of foreign forces in the Gulf, they were apparently not allowed to interfere with the spirit of harmony that emerged in Mr Assad's three days of talks with the Iranian leadership.

Syria has committed 15,000 men to Saudi Arabia and the United Arab Emirates to confront Iraq and stand alongside the Americans. Iran has denounced foreign intervention in the crisis.

Mr Assad's apparent diplomatic success in Tehran is certain to add substantially to his regional stature. Dr Fahmi Howeidi, an Egyptian specialist on Iran, said last night that Syria's ruler was "now playing a very important role in the region."

Not only was he involved in efforts to bring the Gulf crisis to a successful conclusion, but he was also acting as something of an intermediary in dealings between Iran and both the West and Egypt and Saudi Arabia.

Mr Assad may be instrumental, Dr Howeidi observed, in helping to further reduce Tehran's isolation and "to give a better picture of Iran to the outside world."

He noted that Saudi Arabia, in particular, was anxious to improve relations with Iran in order to deal with the annual influx of Iranian pilgrims to Mecca and Medina and avoid the riots and bloodshed of the past. The Gulf crisis had added urgency to this task.

The Saudis, who had already increased substantially their financial assistance to Syria since it committed troops to the kingdom, are likely to be more generous still if Mr Assad helps to facilitate an improvement in relations between Riyadh and Tehran.

It was significant that Mr Assad's first foreign visitor on his return to Damascus last night was Prince Saud al-Faisal, the Saudi Foreign Minister, who arrived bearing a personal message from King Fahd.

In Tehran, Mr Assad said he had fully briefed Mr Rafsanjani on his talks earlier this month with US Secretary of State, James Baker.

Iran's leader denied press reports, however, that Mr Assad was carrying a message from the US. "The Americans are not so brazen as to give his excellency a message for us," he said.

But there seems little doubt that Mr Assad conveyed the US desire to improve relations with Tehran if differences could be resolved on such issues as hostages in Lebanon and the Salman Rushdie affair. Iran itself needs western assistance to rebuild its economy shattered by eight years of war with Iraq.

Mr Rafsanjani thanked Mr Assad for his support during the protracted Gulf conflict, saying "we remember that during the war although Mr Hafez Assad was asked not to stand by us because he was an Arab, he refused."

Mr Tom King, the British Defence Minister, said yesterday that war with Iraq was not inevitable but that more UK troops would be sent if needed, Reuter reports from Fallingbostel, West Germany. "We have shown our willingness to play our part," Mr King said during a visit to the West German-based 7th Armoured Brigade which is preparing to leave for Saudi Arabia this weekend. The departure of the "Desert Rats" – 6,000 men and 120 tanks – will be Britain's biggest movement of heavy armour since 1945.

Baghdad orders planting of wheat

IRAQ has ordered farmers to plant 80 per cent of their land with wheat to offset food shortages caused by sanctions, AP reports from Baghdad.

Any farmer who failed to comply would be fined double the cost of the production expected from him, the Agriculture Ministry said.

Ministry Undersecretary Abdul Sattar Hussein told the ruling Baath party newspaper, Al-Thawra, that committees had been formed in all provinces, headed by the governors, to supervise the programme and to help farmers overcome difficulties imposed by it.

"Because of the economic blockade, we all should shoulder our responsibilities in order to plant each inch of our land and increase the production of grains, especially wheat because this is the basic foodstuff for our people," Hussein was quoted as saying yesterday.

Iraq has 43m acres (17m hectares) of arable land, but little more than 13 per cent is in use. Almost 57 per cent of that is planted with grains, mainly wheat, barley and rice.

Iraq has been a major importer of foodstuffs, especially grains, with annual imports of $1bn before the embargo. The United States was the main exporter of food to Iraq.

Iraq welcomes peace move by Mitterrand

IRAQ yesterday welcomed as "non-aggressive" a four-stage peace plan proposed on Monday by France's President François Mitterrand, Reuter reports from Nicosia.

An Iraqi government spokesman praised the French President's speech which linked an Iraqi withdrawal from Kuwait with dialogue among Middle Eastern countries on a range of regional issues.

"We sensed a non-aggressive language in the speech...and an attempt to find solutions to regional problems," the Iraqi spokesman said.

"Such a vital and interactive link between problems in the region is what reassures the Arabs and not the premeditated aggressive intentions against them."

Mr Mitterrand, speaking at the opening of the UN General Assembly's annual debate, insisted that Iraq withdraw from Kuwait and criticised Iraqi President Saddam Hussein for showing no sign of complying with UN demands for a pull-out.

However, stressing that "anything was possible" if Iraq were to withdraw from Kuwait, Mr Mitterrand proposed a four stage plan which underlined that an Iraqi pull-out could help settle other Middle East disputes, including the Arab-Israel conflict.

Mr Saddam Hussein, the Iraqi President, has stressed that any settlement of the Kuwait crisis must be linked to the Palestinian-Israeli issue.

Michael Littlejohns in New York adds: Mr Gianni De Michelis, the Italian Foreign Minister, yesterday echoed Mr Mitterrand's proposals in a speech to the UN General Assembly.

"A solution to the current crisis which is not followed up by the drafting of guidelines for future political and economic action in the Middle East could be letters drawn in sand, soon to be blown over and forgotten," Mr De Michelis said. Italy holds the presidency of the European Community.

He said EC members would continue to seek a solution to the Gulf crisis, but must prepare for a long siege and accept no compromise which violated basic principles.

Collective solidarity must be directed first to the Arab world, because only with its full assistance would the political, diplomatic and economic isolation of Iraq be effective.

The Italian minister said the EC intended to speed up the application of its co-operation agreement with the Arab states and free trade negotiations with them.

Mexico doubles oil export revenues

MEXICO earned $767m from oil exports in the first three weeks September, more than double the level expected before the crisis, AP reports from Mexico City. It exported 100,000 barrels a day more than planned at an average price of $28.13. It had projected an average price of $18 a barrel and sales of 230,000 b/d.

Egypt sends more troops

Egypt is sending more troops and tanks to Saudi Arabia, Reuter reports from Cairo. Egypt has so far sent 20,000 soldiers backed by M-60A3 tanks and artillery. Cairo has signalled its readiness to increase its contribution to about 35,000 men.

Iraq to stage Bush 'trial'

Iraq took another verbal swipe yesterday at western officials who had suggested Saddam Hussein should be tried for war crimes, saying it would stage its own trial of President George Bush, AP reports from Baghdad. The alleged crimes include planning war against Iraq, attempting genocide by sponsoring UN sanctions, and aggression against Panama and Grenada.

Japanese PM to visit Gulf

Japanese Prime Minister Toshiki Kaifu will visit Turkey next month for talks on the Gulf crisis, Reuter reports from Ankara. Mr Kaifu will be the first leading western premier to tour the Middle East since Iraq's invasion of Kuwait. He will also visit Egypt, Saudi Arabia, Jordan and Oman. Japan, which imports about 70 per cent of its oil from the Middle East, has pledged $2bn to the frontline states and a further $2bn for the US-led forces in Saudi Arabia.

Bid to co-ordinate navies

A delegation from the Western European Union (WEU) is touring the Gulf to review co-ordination of six European navies enforcing sanctions against Iraq, Reuter reports from Paris. The WEU parliamentary assembly has warned that lack of a combined command for the 32 ships at present under national control could make them more vulnerable to Iraqi air strikes.

Yemen walks political tightrope

Saudi Arabia's southern neighbour is finding there is a price to pay for leaning towards Saddam, writes **Eric Watkins** in Sanaa

IRAQ'S invasion of Kuwait has created dilemma for Yemen's recently united republic.

Yemen has depended on Kuwait, Saudi Arabia and other Gulf states for worker remittances and direct financial aid over the past two decades, and can ill-afford to side openly with Iraq. But longer standing military, political, and economic ties with Baghdad – as well as widespread popular support for Mr Saddam Hussein, Iraq's president – have equally prevented Yemen breaking with Iraq.

Faced with the need to take a position on the Gulf crisis, therefore, the Yemen took the presence of US forces in Saudi Arabia to make an issue of foreign powers in the region and avoid taking sides in the conflict directly.

That stance initially became clear when the country's ruling parties – the Yemen Socialist Party and the Popular General Congress – issued a joint communique condemning UN sanctions against Iraq as "clear evidence of the pre-planned aggressive intentions against the nations of the Arab world."

Yemen's position follows traditional policy, which western diplomats in Sanaa, the capital, characterise as a general aversion to taking sides publicly, a commitment to common Arab positions and an opposition to any alliances in the region involving outside powers.

However, Yemen's position appeared to shift last week when President Ali Abdullah Saleh and other government officials denounced Iraq's actions. "We have condemned the invasion of Kuwait by Iraq and we call for the withdrawal of Iraqi forces from Kuwait," General Saleh said.

Yemen's position fell short of unqualified support for the restoration of the ruling al-Sabah family. According to General Saleh, it would be inappropriate for outside forces to impose any particular regime on Kuwait. "It should be left for the Kuwaiti people themselves to decide who should rule the country," General Saleh said.

None the less, few observers doubt where Yemen's sympathies lie. Despite providing substantial financial assistance – $50m last year alone – Kuwait's rulers are not popular in Yemen. Indeed, the common view is that they have squandered Arab resources in pursuit of western pleasures.

"Yes," says a disgruntled shopkeeper, "Kuwait gave us some money. But they could have given us more. Look how much they spend drinking and gambling in the west!"

By contrast Yemenis view Iraq as the defender of Arab interests. "Iraq ruined its economy protecting the Arab nation from Iran," says one Yemeni executive. "Then what happened? Kuwait and the other Gulf states started economic war on Iraq. They overproduced their oil, drove down prices, and prevented Iraq's recovery."

President Saleh: change of stance

With a summary shrug he asks: "What else could Saddam do?"

Mr Saddam is widely venerated here. A man of grand gesture in a land of chronic poverty, he bestowed a gift of 150 Mercedes on the North Yemen government at last September's independence celebrations in Sanaa and pledged $150m in development aid on the unification of North and South Yemen last May.

Such gestures form only part of his appeal. Having supported Yemeni unification in the teeth of fierce Saudi opposition, Mr Saddam Hussein is also viewed here as the only man capable of unifying the Arab world.

Mr Saddam's popularity apart, ties between Iraq and Yemen have long been close. Yemeni military officers, trained in Baghdad during the 1930s, spearheaded the revolution which established North Yemen in 1962. Relations between the two countries improved further in the 1970s and particularly in 1979 when Iraq granted North Yemen a five-year, $300m aid package.

North Yemen responded by supporting Iraq in the Gulf war and sent two brigades of combat troops, the only Arab nation to contribute more than a token force.

Iraq likewise had good relations with South Yemen after its independence from Britain in 1967. The two countries were especially close in the 1970s when both were in the Soviet orbit, though they fell out in the late 1970s when Iraq signed treaties with Oman and Iran, traditional rivals of the South.

Association between the two countries came to a virtual halt when South Yemen supported Iran during the Gulf war. None the less, Iraq firmly backed the South's merger with the North and endorsed the unification with pledges of substantial financial and military assistance.

Yemen's act of balancing sympathy for Iraq with economic dependence on Saudi Arabia and the Gulf states in the current crisis is therefore a delicate exercise. The country has thus sought to portray the crisis as a conflict between Arabs and the rest of the world anxious to protect its self-interest.

However, while that view is not shared by all Arab nations, particularly Yemen's main Gulf benefactors, even this stance has proved expensive. According to Yemeni officials, Saudi Arabia and the Gulf states have now cut all aid to Yemen and are "encouraging" Yemeni expatriate workers to return home.

Although official figures are not available, one official puts Yemen's potential loss of remittances and foreign aid at $1.7bn by the end of this year.

Yemenis have already begun to feel the economic pinch. Petrol shortages, once a rarity, occur daily and Yemenis grumble at having to queue. Food is still in good supply, but shopkeepers report that wholesalers are "selective" in their distributions.

Accordingly, prices are rising amid concern that Saudi Arabia, source of many Yemeni imports, may cut supplies. Some 20,000 Yemeni workers displaced by Iraq's invasion have now returned from Kuwait along with droves from Saudi Arabia and other Gulf states.

"The return of so many expatriate workers, often to the poorest regions of Yemen, is bound to have serious economic and social repercussions," a western diplomat says.

There are even signs that these short term discomforts, allied to the potential loss of long-term development aid, are even beginning to shake popular Yemeni sympathy for Iraq. "Saddam Hussein has broken in and stolen all the jewels he needs," says one Yemeni grocer. "Now let him leave the shop."

Such sentiments are reflected in General Saleh's call last week for the withdrawal of Iraq forces form Kuwait.

Nevertheless, his failure to support the restoration of Kuwait's rulers will leave Yemen open to continued suspicion from outside

If so, Yemenis can expect to have to tighten their belts even more in the coming weeks. "Yemenis have traditionally known which side their bread is buttered on," observes a senior western diplomat. "But in the current crisis they have tended to forget."

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Sweden secures ruling on US dumping practices

By William Dullforce in Geneva

SWEDEN has secured an important judgment against US anti-dumping practices from a disputes panel of the General Agreement on Tariffs and Trade.

The panel decided that the US should revoke the anti-dumping duties it has been charging on imports of seamless stainless steel hollow products from Sandvik and Avesta Sandvik Tube and should reimburse the duties paid.

The reason advanced by the three-man panel for arriving at its verdict is that the US had violated "an essential procedural requirement" in initiating the investigation into the dumping charge.

The US Commerce Department initiated the investigation after receiving a request from the Specialty Tubing Group (STG) and its member companies producing stainless steel hollow products.

This request had been made "on behalf of the domestic industry in the US", as required by Gatt's anti-dumping code.

However, the STG included six domestic producers of stainless steel hollow products, four of which produced welded products while only two made seamless products.

The Gatt panel found that the Commerce Department had not taken sufficient steps to ensure that the request had been genuinely filed on behalf of the domestic industry affected.

This finding can have repercussions in other cases in which US authorities may have started investigations into dumping charges without fully complying with the prescriptions of the code.

The panel's verdict will also be seen read as reinforcing the arguments of Japan and other Asian exporters in the current talks on the revision of the anti-dumping code under Gatt's Uruguay Round.

The exporters claim that investigations are too often launched on insufficient grounds.

At a meeting of the Gatt anti-dumping committee yesterday the US asked for more time to consider the panel's findings before deciding whether or not to comply.

Lomé states ask EC for oil aid

By Lucy Kellaway in Brussels

THE 66 poorest countries in the world yesterday made an impassioned plea to the European Community for emergency short term aid to help cover the steep increase in their oil import bills.

The plea by the African, Caribbean and Pacific countries (ACP) was backed by Mr Manuel Marin, the EC's commissioner for development, who called on member states to provide new money to help insulate them from the effects of the Gulf crisis.

According to Commission calculations, an increase in the oil price to $30 costs Lomé oil importers an extra $2.5bn a year. The recent rise to $40 could cost twice as much. The Commission fears higher oil prices will make unworkable the structural adjustment programmes underway and push debt to unmanageable levels.

EC officials yesterday expressed pessimism over the willingness of member states to provide extra money. Since the Lomé agreement was signed last year, they have had new calls on their money from Eastern Europe and the Gulf. Mr Marin yesterday rejected requests money could be made avaliable immediately from Lomé Convention funds.

EC heavyweights clash over farm reforms

A long-awaited bureaucratic battle has erupted in Brussels, reports Tim Dickson

THE STAGE was set yesterday for the Brussels bout over agricultural policy which trade experts have been widely expecting for much of this year.

In one corner Mr Ray MacSharry, the EC's Agriculture Commissioner, who vowed at a press conference that he would table the same proposals for international farm reform at next week's meeting of the Commission. These unexpectedly failed to win majority support from his colleagues last Wednesday.

In the other, Mr Frans Andriessen, the EC's External Relations Commissioner, whose alternative is intended to make the package more palatable for the EC's major trading partners.

Presenting policy differences in terms of personalities is much disliked in Brussels, but in this case it is essential to an understanding of what is going on.

On top of the dispute over points of principle, the row has developed into an unseemly slanging match because of differences in temperament and negotiating technique.

Mr Andriessen, who is the senior Brussels Commissioner after Mr Jacques Delors and who has overall EC responsibility for the Uruguay Round, has always wanted to exercise more control over the specifically agricultural aspects of the Gatt talks – and he now seems determined to get it.

MacSharry (left) and Andriessen have differences in temperament and negotiating technique

Mr MacSharry, meanwhile, refuses to be pushed over and with political ambitions back in his native Ireland does not intend to be remembered as the man who sold out on the farmers.

But the division "is not extreme", as an official from one of the "camps" put it yesterday. "It is largely a question of technicalities and tactics".

Mr Andriessen, for example, is happy with the broad thrust of Mr MacSharry's draft proposals which foresee a reduction of 30 per cent for the main agricultural products over the years 1986-96, as expressed by the so called Aggregate Measure of Support (AMS). A number of less important products (including tobacco and fruit and vegetables) would be cut by only 10 per cent using a different set of calculations.

The AMS, based on a fixed reference price derived from 1986-88 data, essentially quantifies all forms of agricultural support (price support, direct support and input subsidies) and turns it into a global figure which can then be used as the basis for cutbacks. According to the detailed paper which is the subject of all the fuss, overall aggregate support in the EC amounted to almost Ecu94bn (£65.51bn) in 1986.

Mr Andriessen's main reservations lie in the detailed MacSharry ideas on "tariffication" – transforming border protection measures which are not normal tariff duties into fixed tariff equivalents – and for "*rebalancing*" (extending import tariffs to areas hitherto unprotected while continuing to cut the overall level of agricultural support).

Rebalancing in the EC will mean new import barriers for oilseeds, protein crops, corn gluten feed, other residues from starch manufacture, and non-grain feed ingredients, and will range from 6 per cent for oilseeds and non-grain feed ingredients to 12 per cent for other products.

Mr Andriessen, whose own revisions have not been finalised, believes these aspects as currently drafted will be rejected by the US. He is also concerned that developing countries will be disadvantaged.

It is equally uncertain what he has in mind for export refunds, the subsidies which the EC's trading partners claim represent the worst distortion to agricultural trade and were reportedly the main sticking point at last week's Commission meeting. An official in his department yesterday described the MacSharry proposal – essentially a repeat of his view that export refunds would come down automatically when internal support and protection were reduced – as "rather conservative".

Japan bows to US pressure on metals

By Michiyo Nakamoto in Tokyo

AFTER months of resistance, Japan has bowed to pressure from Washington to ensure greater access to the Japanese market for US metals technology.

The bilateral dispute over amorphous metal alloy transformers was resolved last week with the acceptance by US negotiators of substantial concessions by the Japanese side to diffuse a potentially serious trade row.

With the agreement, Japanese industry has narrowly escaped retaliation by the US under section 301 of the 1974 US trade act.

The dispute over transformers using amorphous metal alloys came to a head when Allied Signal, the US company which developed the technology, filed a petition with the US Trade Representative's Office in March, saying it had been unfairly excluded from the Japanese market.

Allied Signal said its efforts to obtain a Japanese patent had been blocked while Japanese manufacturers took advantage of a government subsidy to develop similar technology.

It further claimed that there had been a licensing cartel and an industry boycott to keep the US company from taking advantage of its patent before Japanese manufacturers could produce amorphous metal transformers themselves. Japan has denied these claims.

The final Japanese concessions amount, in effect, to an extension of Allied Signal's patent.

They include a promise, backed by the powerful Ministry of International Trade and Industry (Miti), that Japanese manufacturers capable of producing amorphous metal alloys for use in transformers will refrain from doing so for four years after Allied Signal's patent runs out in 1993.

Japanese utilities are also committed to buying 32,000 such transformers for testing, worth an estimated Y5.4bn (£21m), rather than the initially estimated 15,000. They have also agreed to significantly reduce the time spent on testing the transformers.

The interest shown in the issue by prominent US politicians was a factor that ensured significant Japanese commitment to solving the dispute. "Nobody ever doubted the issue could have a very serious impact on US-Japanese relations," said a Miti official close to the talks.

Bouygues signs Thai contract

BOUYGUES Thailand, a subsidiary of the French construction group, and Bangkok Land, a Thai development company, have signed a Baht10bn (£211m) contract to construct jointly part of a huge new residential, office and industrial complex planned for suburban Bangkok, Paul Taylor reports from Bangkok.

The deal, the biggest Thai building contract ever, represents a third of the Baht30bn Muang Thong Thani development scheme on Chaeng Wattana Road.

The French group, which has previous experience of major Thai projects including the Taksin Bridge, will be responsible for the industrial and residential units.

Hungarian deal for ABB

ASEA BROWN BOVERI (ABB), Europe's biggest electrical engineering group, has signed a joint venture agreement with Lang Gyepgyar, Hungary's leading manufacturer of small and medium-sized power turbines, reports William Dullforce.

ABB is taking a 75 per cent stake in the new company, ABB Lang, which will begin operations next month with some 650 employees.

ABB said it was investing some capital, technology and management resources in the restructuring of the Hungarian power supply industry.

Earlier this year ABB negotiated one joint venture in Poland and two in East Germany.

Asian textile producers continue to gain ground

By Alice Rawsthorn in London

THE EMERGING textile industries in Asia are continuing to gain ground at the expense of their established competitors in western Europe and North America, according to the latest figures from the International Textile Manufacturers Federation in Zurich.

Asian textile producers have been winning market share away from the western producers since Asia emerged as a force in international textiles in the 1960s.

This trend is continuing despite investment in new technology – and subsequent improvements in productivity – by European and North American producers.

In the spinning sector, for instance, the overall level of world yarn production rose by 1 per cent in the second quarter of this year compared with the first three months.

The Asian spinners managed to increase production at a higher rate by an average of 2.6 per cent. Some countries made even faster progress. Pakistan boosted its yarn output by 22 per cent against the same period last year.

But the level of spinning production fell by 4.4 per cent in Europe. The situation in the UK, where the textile industry has been struggling against weak demand and increasing imports for some time, was even more serious. The UK's yarn output fell by 15 per cent.

Similarly, the Asians managed to outpace the Europeans and North Americans in the weaving sector which, overall, was depressed in the second quarter. Worldwide production fell by 1.7 per cent.

Despite the decline in the market Asian producers managed to increase their fabrics output by 3.3 per cent. This contrasts with a fall in output of 5.8 per cent in the US and 3.3 per cent in Europe.

The international weaving industry can, however, draw some consolation from the fact that worldwide stocks fell to their lowest level since 1987.

State of Trade Report is available from the International Textile Manufacturers Federation, Am Schanzengraben 29, CH-8002 Zürich, Switzerland.

IMF/WORLD BANK MEETING

Special facility to assist Gulf refugee resettlement

By Stephen Fidler in Washington

THE World Bank is establishing a special loan programme to help countries resettle migrant workers fleeing Kuwait and Iraq.

Mr Barber Conable, the bank's president, said an estimated 1m to 1½m workers remained in Kuwait, while only about 500,000 had so far been able to leave.

He stressed the World Bank, which has predicted "staggering costs" to some countries even if the Gulf crisis is resolved quickly, would have to remain as flexible as possible in dealing with the crisis. It could accelerate payouts of funds already agreed, advance lending programmes and seek to unlock other sources of finances for affected countries.

The bank would seek to create a facility to grant concessional credit to the so-called lower-middle income countries worst hit by the crisis. The poorest countries might benefit from advancing disbursements from the bank's soft-loan affiliate, the International Development Association.

There "was no need yet to press the panic button", he said. But statements over the last few days from both Mr Conable and Mr Michel Camdessus, managing director of the International Monetary Fund, appear to recognise the possibility that if the oil price stays above $35 a barrel, more help will have to be mobilised for affected countries.

At the moment IMF officials say the oil price does not reflect the fundamentals of supply and demand and is being lifted by speculative pressure.

Mr Conable dismissed suggestions that the bank "was unduly constrained" in its ability to help in the crisis. He said there was plenty of spare lending capacity in the bank, following its capital increase two years ago.

A World Bank report written early this month emphasised the bank "has more limited potential in assisting the oil-importing countries than it did in either 1974 or 1980" following the previous two oil shocks. The bank, it said, was close to its lending limits for some countries, and had already extended so many quick-disbursing economic reform loans that there was little capacity to do more in some countries.

The report suggested oil prices could rise to $65 a barrel in the case of war.

● Mr Conable also said there was widespread support among member countries both for an increase in the capital of its private sector affiliate, the International Finance Corporation, and of a special fund being planned for environmental projects for the bank.

But he implied some important member countries still remained to be convinced on the two proposals.

Moscow edges closer to Fund membership

THE Soviet Union is moving closer to joining the International Monetary Fund as it opens its economy to the west and charts a course to the free market, the head of the Soviet state bank said yesterday, Reuter reports from Washington.

Mr Viktor Gerashchenko, chairman of Gosbank, said there was no alternative to restructuring the country's rigid economy. However, he threw cold water on the 500-day plan backed by President Mikhail Gorbachev, saying it had been drawn up by radical economists.

"The time is growing ripe for joining the IMF – we now need to go through the formalities and details," he said.

Mr Gerashchenko, the Soviet Union's most powerful banker, is heading the nation's first delegation to the annual meetings of the IMF and World Bank since the organisations were formed at the end of the Second World War.

He faces a rival Russian Republic delegation at the meetings, led by Mr Gregori Yavlinksy, deputy prime minister of the Russian Federation and a key figure behind the 500-day plan.

Membership in the Fund, once despised by Moscow as the epitome of the capitalist world, would open up an important source of loans to the rapidly disintegrating Soviet economy and would seal its integration into the western financial system.

Mr Gerashchenko, who is leading a delegation of "special invitees," would not specify the exact timing of membership, a move linked to the west's drive to help the Soviet economy.

But he said there was no doubt the decision would be taken and some of his delegation would stay on for further talks with the Fund after the annual meetings ended.

"We have nothing to hide, nothing to be ashamed of... such co-operation will be very useful for our own decision-making," Mr Gerashchenko said.

The IMF has been careful not to pass judgment on the tortuous Soviet reform debate, which has divided the Soviet parliament.

Conable outlines action on poverty

By Peter Norman in Washington

Barber Conable: military outlays should be cut

MR Barber Conable, president of the World Bank, yesterday urged the international community to make as big an effort combating poverty as it had in dealing with the Gulf crisis.

Addressing the annual meeting of the International Monetary Fund and World Bank in Washington, he said it was possible to reduce the number of poor people in developing countries by at least 300m by the year 2000. But such an achievement would require determined, collective action.

Mr Conable said countries such as India, China and Indonesia had made considerable progress towards reducing poverty. But still more than 1bn people lived on less than $1 a day.

Over the next 10 years the population of developing countries was likely to increase by at least 850m people. Many of these would be born into absolute poverty.

Mr Conable said encouragement of economic growth and better directed educational and health services were at the core of the bank's anti-poverty strategy.

The World Bank was rapidly increasing its lending for primary education, basic health care and family planning.

It had made a special point of improving the lot of women in developing countries and had intensified support for efficient food production to replace costly general food subsidies.

Mr Conable outlined four ways in which countries could work together to reduce poverty. These were:

● The developing nations should establish sustainable growth policies and spending priorities for poverty reduction.

● Countries should agree on better ways to measure how policies affected the poor, using indicators such as child mortality, primary school enrolment and real unskilled wages to measure progress in reducing poverty.

● Development assistance should be increasingly linked to good performance in helping the poor.

● The entire international community should commit itself to reducing poverty.

He said it was unacceptable that official aid flows from industrialised countries had fallen as a percentage of gross national product in recent years.

In spite of the Gulf crisis, military outlays should be cut.

A 10 per cent cut in military spending by the members of Nato would enable them to double their development aid. Moreover, developing countries spent about $200m a year on weapons and this money could be better directed to tackling poverty.

Concern over slow progress in Uruguay Round trade talks

By Peter Norman

MR Michel Camdessus, managing director of the International Monetary Fund, yesterday expressed concern at the lack of progress in the Uruguay Round of trade liberalisation talks.

He said much remained to be resolved in a short time and urged the world's nations to settle their differences and complete the round by the end of this year.

The international trading system was at an important crossroad, he said.

Trade remained distorted by restrictive practices in many countries, which hurt the nations that imposed them as well as those against which they were aimed.

A successful conclusion of the Uruguay Round would have far-reaching favourable consequences, including a significant increase in the efficiency of agricultural production and the extension of multilateral discipline into areas such as services, intellectual property rights and trade-related investment.

Against a background of increasing anxiety in financial markets about the economic consequences of the Gulf crisis, Mr Camdessus called on countries to provide "clear and credible signals" that they were determined to reduce inflation.

Such action would allay the markets' concern. Developments since the Iraqi invasion of Kuwait had increased the importance and urgency of implementing a strategy to contain inflation and raise national and global savings and investment.

The most effective way to boost national saving would be to cut budget deficits.

A reduction in the absorption of savings by governments would tend to lower interest rates, and therefore encourage private investment and help reduce the debt service burden of developing nations.

Looking ahead, Mr Camdessus said the world was gradually moving towards an international monetary system that would be "different and hopefully better".

It would be reinforced by the move towards monetary unification within Europe and would also be more truly universal because of the expected progress of the Soviet Union and eastern European countries towards convertibility of their currencies.

It would also be a system giving sufficient emphasis to the correction of exchange rate volatility by careful monitoring of policies.

"By making better use of the techniques of surveillance and policy co-ordination, it will help establish a low inflation club among the major industrial countries," he said.

IMF/WORLD BANK NOTEBOOK

Singing financial orthodoxy at breakfast

By Stephen Fidler

BRAZIL and Argentina are together responsible for a $15bn (£7.9bn) hole in the balance sheets of international banks, but officials from the two countries are nevertheless still welcome at bankers' tables.

The central bank governors of the two countries were yesterday morning singing for their breakfast at the same event at Washington's Shoreham Hotel.

As Mr Ibrahim Eris, the Turkish-born head of Brazil's central bank, and Mr Javier Gonzales Fraga, his opposite number in Argentina, outlined their countries' anti-inflation packages, there was more evidence of the financial orthodoxy which appears to have overtaken their continent.

Brazil, now $8.4bn in arrears to banks, has been locked in controversy at the annual meetings about whether it will pay interest to banks before the International Monetary Fund disburses a standby loan. The banks see the issue as a last battleground against an IMF strategy of lending to countries in arrears to banks, of which they heartily disapprove. On the other side, the issue seems to have gained symbolic importance in the Brazilian government.

The difficulty for Mr Eris is to explain what is widely seen as the most credible Brazilian anti-inflation programme of the decade when the international debate centres on an issue that superficially suggests that nothing much in Brazil has changed.

The policies include planned privatisations of $10bn-$15bn next year, in which foreign banks are expected to play a significant part through conversions of their debt into shares in the privatised companies. Rules on conversions, which the government hopes will lead to a significant reduction in its foreign bank debt, should emerge soon, he says.

Brazil will open negotiations with international banks, including a proposal to address its arrears, on October 10.

Mr Gonzales Fraga was at the same event, organised by debt conversion specialists Singer & Friedlander and Eurinam, last year. He resigned over the issue of exchange rates at the end of last year, only to reappear in the spring after a four-month break. Now, as the central bank slims down its operations to focus solely on monetary conditions, he is among other things in charge of foreign debt.

Argentina ($7.3bn in arrears) is paying the banks at the rate of $40m a month, and says there are no plans to increase that. Mr Fraga says his country intends to write off 20 per cent of its $60bn foreign debt burden through using debt conversions in privatisations currently in the pipeline, most notable that of Entel, the telephone monopoly. A further $5bn could be erased next year through privatisations, he said.

■ It is well known that Mr John Major, the UK Chancellor of the Exchequer, is an ambitious politician. But he was surprised the other night to find out that he is likely to be bored once he has achieved his goal.

This disclosure came as the Chancellor was having his palm read at the British Embassy cocktail party by Mrs Tricia Peters, the wife of Washington-based radio journalist Nick Peters.

It was unclear whether the Chancellor's ambition related to his possible occupation of Number 10 Downing Street, Britain's promised entry into the exchange rate mechanism of the European Monetary System or his vow to cut inflation.

Mr Major's style at these annual meetings is being contrasted with that of his predecessor. His approach is certainly more genial and less hurried than that of Nigel Lawson, whose bulky frame would sweep rapidly through the corridors of the IMF building, with Treasury officials struggling to stay in his slipstream.

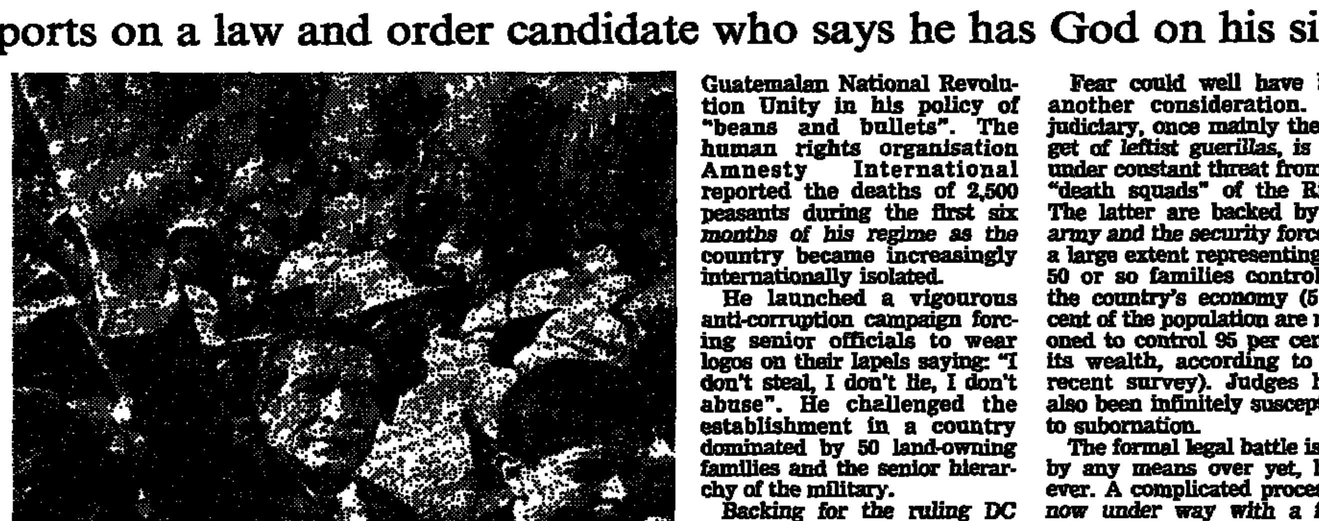
Mr Major is more likely to amble. His aides, accustomed to burning the candle at both ends, largely because of the repeated rewriting of speeches insisted on by Mr Lawson, now find they have time to attend the occasional party..

AMERICAN NEWS

Guatemala watches its born-again general

Richard Johns reports on a law and order candidate who says he has God on his side

GENERAL Efrain Rios Montt was supremely confident after he seized power with two young officers in Guatemala in March 1982: "God had decided that I would become president," he declared.



Rios Montt: a charismatic but controversial candidate

Ousted nearly a year-and-a-half later, the born-again Christian member of the fundamentalist Church of the World sect clearly believes that divine right is still on his side even though Article 186 of the 1985 constitution specifically bars participation in elections of anyone who has been the author or beneficiary of a military coup.

Running neck-and-neck in the opinion polls with Mr Jorge Carpio, candidate of the National Union of the Centre party, the charismatic Gen Rios Montt's hopes of competing in and winning the November 11 elections received a controversial and unexpected boost.

A seven-to-two majority of the Supreme Court granted him a provisional injunction on September 12, allowing him to register as a presidential candidate after his application had been turned down by the Supreme Electoral Tribunal (TSE). Ironically Gen Rios Montt established this institution in preparation for a return to democracy shortly before his overthrow. As a result, the country of 8m-9m people has been thrown into a turmoil of uncertainty.

Welcoming the decision the ebullient general confidently predicted victory in November. Campaigning on a slogan of *No Venta* (No Sell-Out), he is backed by a loose alliance of three minor parties among the 17 in Guatemala's constantly shifting political kaleidoscope. He needs an absolute majority to avoid a run-off in January.

The latest polls commisioned by the Chamber of Free Enterprise showed 18 per cent favoured Gen Rios Montt and 17 per cent Mr Carpio. Mr Alvaro Arzu – a former Guatemala City mayor of the Party for National Advance (PAN) – and Mr Alfonso Cabrera of the ruling Chrisitian Democrats trailed with 9 per cent and 4 per cent respectively.

Although support for the nine other factions registering candidates is limited, taken together it could affect the outcome. No less than 39 per cent of the sample was undecided and 29 per cent declined to say anything – a reflection of the climate of fear and the inscrutability of the exploited indigenous community. No questions were asked in Mayan dialects in a racially divided land where 45 per cent of the population are estimated not to be able to speak Spanish, the official language.

Gen Rios Montt's appeal derives from his attacks on the privileged elite, his criticism of alleged corruption associated with President Venizio Cereza's administration and his promise of a law-and-order crackdown. The latter message has particular appeal in the capital, which accounts for nearly 20 per cent of the population and where the streets are among the most dangerous in the world. Rapists would be executed by firing squad "under his government", he assured a press conference early in July.

Fraud, Gen Rios Montt claims, robbed him of the presidential election in 1974 – after which he was sent to Madrid as military attache. This view is now regarded as justified by historians and analysts. Also widely accepted is his belief that Article 186 was inserted into the constitution to ensure his exclusion from future office.

In power, he behaved dictatorially, declaring a state of siege and waging a merciless war against the left-wing guerrilla factions united as the Guatemalan National Revolution Unity in his policy of "beans and bullets". The human rights organisation Amnesty International reported the deaths of 2,500 peasants during the first six months of his regime as the country became increasingly internationally isolated.

He launched a vigourous anti-corruption campaign forcing senior officials to wear logos on their lapels saying: "I don't steal, I don't lie, I don't abuse". He challenged the establishment in a country dominated by 50 land-owning families and the senior hierarchy of the military.

Backing for the ruling DC has probably been underestimated because of its strength in the countryside among the uncommunicative indigenous people. The PAN, with its urban strength but also campaigning hard in the countryside, is definitely the dark horse in an electorate disillusioned by a brief flirtation with "democracy".

As for the key dispute over whether or not the general should stand for office, Mr Arturo Herbuger Asturias, the head of the Electoral Tribunal, roundly condemned the Supreme Court's decision. Mr Mario Roberto Illesca Aguirre Nacion, the attorney-general, was equally quick in supporting the tribunal's view.

It remains unclear why the Supreme Court manifestly violated the specific letter of the constitution. Western diplomatic observers and local political observers say the probable explanation is that Mr Edmondo Velasquez Martinez, its president, and his six supporters either did not want to take responsibility for any violent consequences arising from a disqualification or wanted to assert their independence – probably both.

Fear could well have been another consideration. The judiciary, once mainly the target of leftist guerillas, is now under constant threat from the "death squads" of the Right. The latter are backed by the army and the security forces to a large extent representing the 50 or so families controlling the country's economy (5 per cent of the population are reckoned to control 95 per cent of its wealth, according to one recent survey). Judges have also been infinitely susceptible to subornation.

The formal legal battle is not by any means over yet, however. A complicated process is now under way with a final word theoretically to be given by the Constitutional Court no later than October 10. But confusion reigns as to whether it or the Supreme Court is the ultimate authority.

No one has any doubt that the army will be the final arbiter. While the security forces continue to be the main violators of human rights, its hierarchy is intelligent enough to know that the day of the overt military dictatorship is over for the time being and the need for US economic support imperative. But temptations remain strong.

The somewhat less than convincing return to democracy since 1985 has been conditional upon the military's constricting blessing. Rumours of coup attempts have abounded since the last rebellion in May when some units, without sufficient support, mobilised against President Cerezo. Apprehension was last aroused on September 2 when he summarily dismissed General Juan Jose Marroquin Siliezar, then chief of staff.

The exercise in democracy could well end in yet more blood and tears for Guatemala.

Canadian Senate urged to block tax

By Bernard Simon in Toronto

OPPOSITION to the Canadian government's proposed value-added tax has been bolstered by a Senate committee recommendation to kill the tax and a pledge to fight it by the incoming government of Ontario.

The Senate banking committee, dominated by members of the opposition Liberal Party, called on the full Senate not to proceed with a bill approving the 7 per cent goods and services tax (GST), due to take effect from January 1.

The enabling legislation has already been approved by the House of Commons.

The committee made its recommendation after lengthy hearings during which, it said, most witnesses opposed the tax.

The proposal increases the likelihood that the government will try to ram the GST bill through the senate by packing the non-elected upper chamber with supporters, using an obscure clause of the British North America Act.

Mr Brian Mulroney, Canada's prime minister, has filled 15 senate vacancies in the past three weeks.

Mr Bob Rae, premier-elect of Ontario, whose left-wing New Democratic Party won a surprise victory in provincial elections earlier this month, told an economic outlook conference yesterday that "this is the wrong tax on the wrong people at the wrong time".

Mr Rae, who takes office next Monday, said the tax would raise inflation at a time of weak economic growth. He criticised the indirect tax as an intrusion by the federal government on the jurisdiction of the 10 provinces, all but one of which already levy their own retail sales taxes.

The GST, now one of the hottest political issues in the country, is the final stage in a range of tax reforms started three years ago to make the Canadian tax system more competitive with main trading partners.

The new tax would replace a 13.5 per cent manufacturers' sales tax, widely regarded among the business community as discriminatory and inefficient.

El Salvador rebel declaration hints at imminent offensive

By Tim Coone in Managua

EL SALVADOR'S left-wing FMLN guerrillas yesterday urged a "democratic revolution" to end the all-embracing power wielded by the military and the country's leading families.

The FMLN declaration, signed by the top five guerrilla commanders, is seen as an ultimatum to the government and a rallying cry for an imminent offensive.

It calls for the abolition of the army and the creation of a civilian-controlled public security force, for judicial, electoral and political reforms, for a broader agrarian reform and specific economic measures to improve the lot of El Salvador's poor.

The document says: "Today, more than ever, a national democratic revolution is needed to finish with the hegemonic political and economic power of the military and the big oligarchic families, to re-establish the nation's sovereignty and to create a lasting peace.

"We welcome the end of the Cold War, as it makes clear that our struggle is a north-south one, not an east-west one. This struggle is still not over."

The document is, in essence, a reiteration of the FMLN's negotiating position, calling for a broad-based multi-party political system with guarantees of political rights for all. It would be the basis on which the FMLN would lay down its arms.

"We will never give up these principles... they are worth making peace for, and they are worth fighting to death for," the document concludes.

The guerrillas have failed to make progress in six rounds of talks with the government this year – the latest talks ended in deadlock last week in San José, Costa Rica.

After the last talks, one FMLN leader said that "to make progress at the negotiating table, pressure will be needed now at the international level, and on the political and military fronts at home".

A big FMLN offensive last November paralysed the country for two weeks. It was only beaten back by extensive use of helicopter gunships.

The guerrillas are now believed to possess anti-aircraft missiles.

Dominican Republic security forces on alert

By Canute James in Kingston

SECURITY forces in the Dominican Republic have been put on alert to deal with expected outbreaks of violence during a three-day strike which begins today.

The increased security measures follow a series of bomb explosions at the weekend which left three people dead.

The bombing and the planned strike follow increased tension in the Caribbean republic of 7m people, in the wake of increased economic austerity measures imposed by Mr Joaquin Balaguer, the president.

Ten people were killed last month and about 15 injured in violence which accompanied a general strike called by unions to coincide with the start of Mr Balaguer's second consecutive term in office and his sixth overall.

The police say the bombs which exploded at the weekend were assembled by a "terrorist" group of students which intended further bomb attacks during this week's strike.

But the National Union of Revolutionary Students denied this, saying the bombs were planted at the Santo Domingo University by the paramilitary police.

The protests in the Dominican Republic have followed a 30 per cent currency devaluation, increased prices for food and fuel, and increasing inflation.

Economists expect the inflation rate to reach 100 per cent this year following 60 per cent last year.

Castro warns of job losses

PRESIDENT Fidel Castro of Cuba was quoted yesterday as saying an economic crisis on the island could result in hundreds of thousands of unemployed workers in the capital, Reuter reports from Havana.

But he said in an interview with the Communist Party newspaper Granma that not a single person would be "thrown on to the street" and each would be guaranteed an income sufficient to live on.

President Castro has warned Cubans to prepare themselves for a siege economy if vital supplies to Cuba from the Soviet Union continue to fall off.

The resulting austerity measures could include closing factories. To offset a shortfall in Soviet oil deliveries, Cuba has already introduced stringent energy-saving measures.

Congress compromises on SEC powers

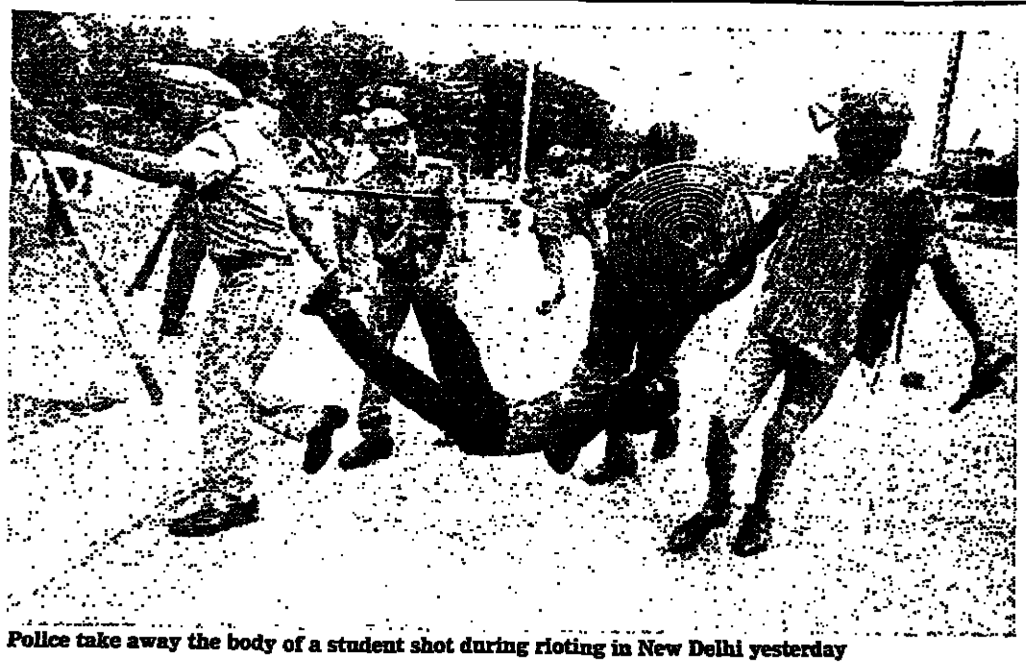
THE US Securities and Exchange Commission's powers affecting stock market activities, including programme trading, will be strengthened by a compromise measure agreed by Senate and House of Representative negotiators, writes Peter Riddell in Washington.

The agreed version includes provisions allowing the commission to prohibit programme trading during periods of unusual market volatility. This form of trading, by computer and involving the simultaneous purchase or sale of a large number of stocks, has been blamed for fuelling sharp falls in share prices, notably in October 1987.

The Bush administration had opposed such a measure largely on the grounds that it was irrelevant to the main reason for market volatility. The Treasury has focused on levels of margin requirements and the lack of consistent regulation of various instruments such as stock index futures.

The House version of the bill had included provisions to ban programme trading, although the Senate version had not. Both houses are expected to vote on the compromise measure shortly.

INTERNATIONAL NEWS



Police take away the body of a student shot during rioting in New Delhi yesterday

Indian violence escalates over caste-based job scheme

By K.K. Sharma in New Delhi

MR V.P. Singh, India's prime minister, yesterday came under pressure to reverse the government's August 8 decision to reserve jobs for low-caste people, as violence by student protesters escalated sharply in New Delhi and other areas.

The scheme would reserve 27 per cent of government jobs for "backward" castes.

A cabinet committee met yesterday to take stock of the situation, after students clashed with police throughout the day in many parts of New Delhi following news that a student who had set fire to himself to protest against the government's decision had died in hospital.

At least two students were killed and scores injured by police gunfire, as army contingents stood by to maintain order. Buses and cars were burnt and rioting continued throughout the day. A general strike has been called for today.

Leaders of the opposition Congress party called for Mr Singh's resignation while the Bharatiya Janata party, the Hindu fundamentalist party that supports the National Front government, asked him to postpone implementation of the job reservations scheme.

There was no indication last night that Mr Singh will change his mind. The only concession he has made is to ask Mr S.R. Bommai, the president of the ruling Janata Dal, to hold talks with the students.

Negotiations will be difficult for Mr Bommai to initiate. The widespread student protests are mainly spontaneous and, although some groups have been formed, there is no identifiable leader to hold talks with.

Mr Bommai also has no authority to take decisions that would be binding on the government.

The violence in Delhi was matched in many other parts of the country, particularly the northern states of Haryana, Himachal and Uttar Pradesh, where the army was called in to maintain order in at least a dozen towns.

The country's constitution already reserves 22.5 per cent of government jobs for scheduled castes (untouchables) and tribes.

Bad time for liberalisation in Zimbabwe

Tony Hawkins looks at the economic problems facing plans to ease trade curbs

AFTER MORE than three years of debate, planning and indecision, Zimbabwe's trade liberalisation programme is to be launched next week.

The timing is inauspicious: the balance of payments is deteriorating, inflation is on the rise, the budget deficit remains stubbornly close to 10 per cent of GDP and, as if that were not enough, Zimbabwe will be hard-hit by the surge in oil prices.

The blanket import controls, imposed 25 years ago, will be gradually replaced with an open general licence system and tariffs restructured over a five-year period.

Mr Bernard Chidzero, the finance minister, who admitted in his July budget that real incomes in Zimbabwe had fallen during his eight-year tenure, will liberalise other aspects of the economy too, decontrolling prices, interest rates and relaxing labour market controls. A start has been made – easing some price controls and allowing a partial return to collective bargaining within guidelines specified by the government.

The odds are heavily-stacked against its success. A bizarre cocktail of the government's marxism and the economic conservatism inherited from Mr Ian Smith's Rhodesian administration at independence in 1980, has created a highly-centralised economy.

Accordingly, not only is there a lot to liberalise but also a reluctance to loosen the reins. Ministerial speeches on economic reform are larded with promises to "control" the process.

Just how much control became apparent last week when Mr Chidzero announced that just three categories of imports – clinker for cement manufacture, textile dyes for the clothing industry and tinplate and plastic granules for packaging – are to be available on open licence at this stage. Only registered importers will have access to the open licence system while Harare's idea of liberalising involves establishing a parallel licensing system at the Central Bank charged with monitoring open licence imports.

Pre-shipment inspection of imports is also to be introduced. Thus liberalisation will mean more rather than less bureaucracy with the authorities shifting control from how much is imported under open licence to who may import.

The government is not alone in its commitment to "controlled" liberalisation. Manufacturing industry, much of which grew up under monopolistic or quasi-monopolistic conditions and which argues that extensive protection will be needed while it re-equips itself to compete in world markets is equally wary.

Efforts to develop an export culture by linking import licences to foreign sales have had some success, and Mr Chidzero last week announced an export earnings retention scheme of 5 per cent for agricultural and mining sales and 7.5 per cent for manufactured goods.

But it will take years to overcome the combination of technological backwardness, obsolete capital equipment, a shortage of skills and, above all, the complacency and inefficiency bred by a quarter of century of blanket protection.

It is now more than three years since the government accepted the principle of what it calls "opening up" the economy.

To date, very little has been achieved. It took Zimbabwe more than ten years to sign a bilateral investment treaty with the US. Newly independent Namibia did it in ten weeks. The much-vaunted one-stop investment centre launched a year ago has approved more than Z$600m (£125m) of new projects, but at least two listed companies – Falcon Mines and Central African Cables – have complained that its promise to give an answer within 90 days is not being met.

There has been precious little new foreign investment and recently Dalgety became the latest in a stream of foreign companies to disinvest. Dividend controls are to be further liberalised in an effort to encourage newcomers.

Estimates of the additional foreign exchange required to sustain the programme range from US$1.5bn to $3bn. To date only $250m has been raised from the African Development Bank and the International Finance Corporation.

Still more ominous though is Mr Chidzero's continuing failure to tackle the budget deficit. In 1990/91 it will increase by more than 25 per cent to Z$1.4bn (£292m) roughly 10 per cent of GDP.

In the past, the minister has blamed military spending in Mozambique, where 10,000 Zimbabwe troops are supporting the Frelimo government against the Renamo rebels, for the deficit. This year, he shifted focus, blaming parastatal subsidies which he said accounted for 4 per cent of GDP.

Realism is in short supply, says local economists. Mr Chidzero has promised to tackle the parastatal deficit by privatising – a new word in the Zimbabwe political dictionary – or by simply letting them go to the wall. But the big subsidies go to the railways, the state-owned steel plant, to which government has committed massive investment in an effort to turn it around, and to the agricultural marketing boards. Privatisation is a non-starter for most of these, nor can they be allowed to go under.

The increased budget deficit, lower consumption taxes, and a 44 per cent rise in fuel prices will boost inflation. Nor is the monetary stance any tighter; in August, the central bank, gloomily forecasting money supply growth of 35 per cent and inflation of 25 per cent, moved to tighten credit, but interest rate increases were only marginal and real deposit rates remain substantially negative. Inflation is likely to average at least 18 per cent this year.

Most serious of all is the balance of payments. Liberalisation is a non-starter without considerably more foreign currency. On current account the balance of payments swung from approximate balance in 1988 to a deficit of Z$185m last year.

Despite booming tobacco sales, the deficit will exceed Z$400m this year due to lower mineral prices, the loss of beef exports to the EC (caused by the foot-and-mouth outbreak), and reduced cotton production. If trade reform is to work, Mr Chidzero will have to rethink his strategy in respect of both the deficit and inflation.

S Africa township curfew condemned by ANC

By Philip Gawith in Johannesburg

THE African National Congress and affiliated organisations have condemned the curfew which came into operation in seven Witwatersrand townships last night, with the South African Youth Congress encouraging defiance.

Police have said the curfew will be strictly implemented and they will act against offenders. The townships have been quiet for the past week so it would be a bitter paradox if the curfew, part of the "Iron Fist" operation announced by the government last week to stop violence in these areas, was to re-ignite disturbances.

Residents of Soweto, Diepmeadow, Dobsonville, Meadowlands, Vosloorus, Katlehong and Thokoza face a maximum R1,000 (£205) fine or six months in jail if they defy the 9pm to 4am curfew.

The ANC said that they rejected the curfew which was not aimed at the perpetrators of the violence but at the communities. "We would not be surprised if the result of these measures is the outbreak of large-scale vigilante attacks on communities."

Mr Ronnie Mamoepa, publicity secretary of the ANC-affiliated United Democratic Front, said that if the state did not withdraw the curfew the UDF "might be forced to support the view that the curfew should be defied".

Police spokesman Major-General Herman Stadler said "these non-aggressive measures are aimed at protecting defenceless, law-abiding residents and to ensure they sleep in peace."

Israeli sell-off success

By Hugh Carnegy in Jerusalem

ISRAEL'S faltering privatisation programme chalked up a significant success yesterday when a slice of Bezeq, the telecommunications monopoly, was successfully floated onto an depressed market in the biggest public offering ever made on the Tel Aviv Stock Exchange.

A package of ordinary shares and convertible debentures representing a 6 per cent stake in Bezeq was offered at a total price of Shk 151m (£38.4m). Institutional buyers had pledged in advance to take up Shk 91m, but when the balance was offered to the public yesterday morning it was oversubscribed by more than four times.

The result was heartening for the government. The offer was seen as a vital test of plans to privatise a other state companies through public flotations – notably El Al and the Israel Electric Corporation.

The privatisation of big companies has been dogged by delays. Efforts to sell privately a controlling stake in Israel Chemicals, supposedly the privatisation flagship, have been held up by objections to prospect of the company falling into foreign ownership.

Campaigns under way for Pakistani elections

By Farhan Bokhari in Karachi

PREPARATIONS for next month's elections in Pakistan accelerated yesterday, as ousted Prime Minister Benazir Bhutto and her arch-rival, Mr Nawaz Sharif, former chief minister of Punjab, launched their campaigns.

Ms Bhutto and Mr Sharif are both widely tipped as candidates for prime minister if their parties win the October 24 elections.

Yesterday both visited their strongest constituencies, but their standing nationally will only become clearer in the coming weeks when they travel across Pakistan to areas where their parties are regarded as potentially weak.

In Karachi Ms Bhutto led a procession through Malir, a suburb where a large number of industrial and agricultural workers live.

As Ms Bhutto's procession of supporters riding in buses, trucks, cars and jeeps, arrived in Malir they were cheered by crowds carrying banners and party flags, and Ms Bhutto was showered with rose petals.

Ms Bhutto is scheduled to travel to Sind during the next few days – a province which is regarded as a Bhutto stronghold – before addressing rallies in Punjab, North West Frontier province and Baluchistan.

Mr Sharif began his campaign in Lahore by visiting a mausoleum of the Islamic Soofi Saint, Hazrat Data Ganj Bukhsh. Mr Sharif, accompanied by a large crowd of supporters, offered prayers for his political party's success. He later addressed a large public rally in the nearby town of Gujranwala.

Rumours that October's elections may be delayed are still common, despite yesterday's flowers and fanfares. However Mr Ghulam Ishaq Khan, Pakistan's president, and Mr Ghulam Mustafa Jatoi, the caretaker prime minister, have said repeatedly that elections will be held on time.

INTERNATIONAL NEWS

Sierra Leone promises changes

Richard Synge says austerity policies may bring multi-party politics

As this year's rainy season eases off, Sierra Leoneans are hopeful of a bumper harvest but anxious about the wider economic and political prospects for their country. The rising price of fuel has already hit the transport sector, while the raging civil war in neighbouring Liberia threatens the habitual peace of this essentially law-abiding society.

President Joseph Momoh's government is, however, putting its faith in an increasing liberalisation of the economic and political structures, as the best way out of the stagnation and loss of direction that have blighted the country for more than a decade.

Now heeding the advice of the World Bank and western donors, the government has recently launched a far-reaching structural adjustment programme, designed to reduce the role of the state and to stimulate foreign investment.

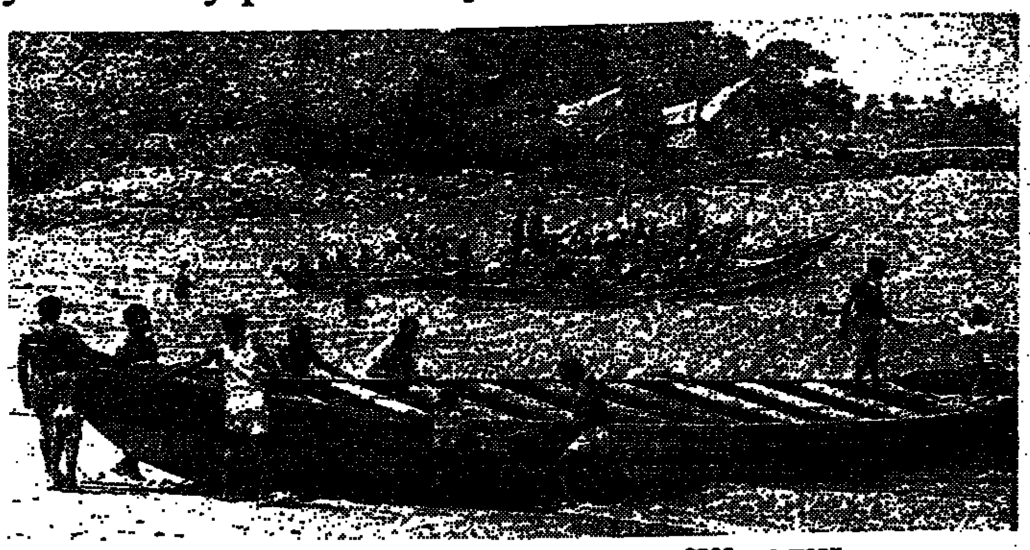
The difficulties are immense. Corruption and mismanagement became endemic under the 17-year rule of the former president, Siaka Stevens, who handed over power to Major-General Joseph Momoh, then army commander, in 1985.

The first years of President Momoh's rule were disappointing to those who expected a new order in the economy. An International Monetary Fund (IMF) programme adopted in 1986 was abandoned after a few months. Subsequent draconian attempts to put an end to smuggling and the currency black market backfired badly, increasing rather than reducing the level of corruption.

The paradox underlying the problem is the immense economic potential of this small country of 4m people. It has vast reserves of both alluvial and underground diamonds, as well as gold, bauxite and a number of rare minerals. The land is fertile and capable of producing more food than the population needs, while the offshore waters teem with fish.

But the absence of effective economic policies has led to widespread predation of resources, particularly the diamonds and fish, by a combination of local and foreign interests. The role of Lebanese traders in diamond smuggling is legendary.

Official exports in the 1989-90 financial year were a mere $150m, of which diamonds contributed a paltry $18m and fish a negligible amount. Economic observers estimate the value of diamonds annually smuggled at around $150m and that of fish taken by foreign fleets each year at over $200m.



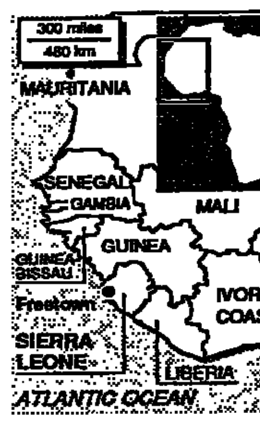
Sierra Leone fishermen: illegal fishing costs the economy $200m a year

The collapse of government revenues in recent years has rendered the country incapable of servicing its relatively modest $500m foreign debt. The IMF has declared the country ineligible for further borrowing while the World Bank and western governments have cut off nearly all assistance.

Against this history of economic decline and mismanagement, Sierra Leone is now coming to terms with the need to restore its international creditworthiness.

Since January this year, Mr Tommy Taylor-Morgan (Finance Minister) – a long-standing critic of government policy from the private sector – has maintained the momentum of an adjustment programme. The national currency, the leone, was allowed to float in April, a move that has all but wiped out the currency black market. Import licensing has been abolished and government monopolies in the the export-import trade are being curtailed. Preparations for a number of privatisations are now well under way.

Close advisers of the president say that the lessons of his first years in power have been learned and that he is now ready to face the harsh realities of adjustment. In a recent interview in Freetown, President Momoh acknowledged that the programme would be painful and said "the political will is there. Other politicians either have to go with me or walk out."



The driving forces behind the programme are Mr Taylor-Morgan, Mr Abdul Rahman Turay (Bank of Sierra Leone governor) and Mr Ben Kanu (minister for industry and state enterprises).

Taking advantage of an IMF offer of a monitoring programme that would effectively reschedule the country's arrears of nearly $100m to the Fund, Mr Taylor-Morgan has drawn up a policy paper which last month received both IMF and World Bank approval. It sets out a timetable of further adjustment measures covering the next three years.

The first hurdle will be a settlement of around $9m in arrears to the World Bank, but if this is achieved there is a strong likelihood of a resumption of new Bank lending in the next two months. The first priorities will be the energy sector, agriculture, roads and social spending.

While the private sector has welcomed the policies adopted so far, the government's biggest challenge will be in changing the attitudes of those who have thrived through the parallel market. The restoration of order into diamond exports is a particularly thorny issue, for many of the smugglers are alleged to have links with senior political figures.

President Momoh now faces the additional challenge of holding elections next year. While he has said the country is not yet ready to revert to a multi-party system – which was abolished when Siaka Stevens' All People's Congress (APC) became the sole party in 1978 – he has held out a promise of change. In a major speech to the APC central committee recently, he suggested an opening up of the electoral process, dropping a strong hint that the next election will be the last to be held under single party rule.

The implication is that this will lead to a multi-party system; but President Momoh's priority is to ensure that political change will take place against a background of successful economic adjustment.

INTERNATIONAL NEWS

Bangkok LPG inferno underlines lack of concern over safety issues

Paul Taylor, Asia Business Correspondent in Bangkok, on the aftermath of an accident which left at least 44 dead

UNTIL about 9.55pm it was like any other night in the Bangkok Hilton (the real one - not the prison of TV series fame). In Ma Maison, the hotel's up market restaurant, politicians and businessmen were dining. Beyond the hotel's high compound walls Bangkok's notorious night life was in full swing.

On the euphemistically called "expressway", a few hundred yards from the hotel front lounge, a truck driver with two big cylinders of liquid gas behind his cab – LPG is the main cooking fuel for Bangkok's 8m-plus residents – was turning onto the busy New Petchaburi Road.

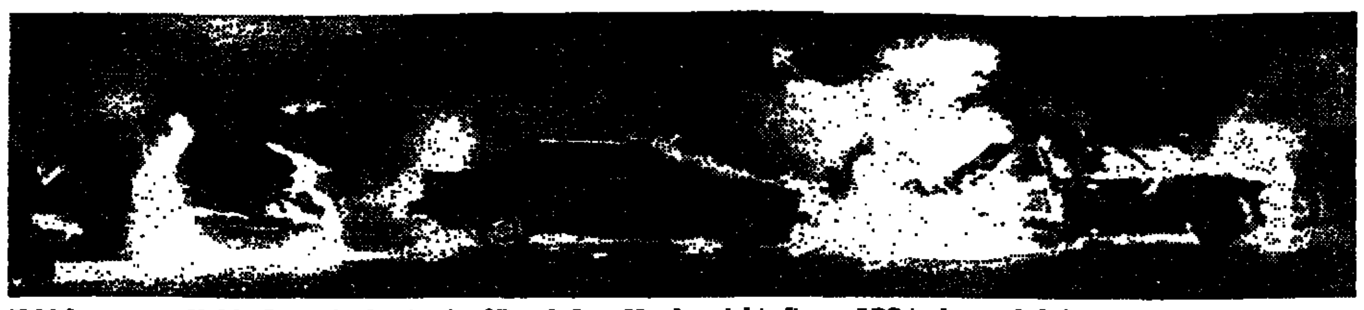
In the next few seconds something awful happened. Some eyewitnesses claim the driver swerved to avoid a *samlor* (side-street taxi), others say the speeding truck driver simply lost control.

Whatever the immediate cause, the LPG tanker plunged into a row of 36 shop-houses and exploded, engulfing at least 34 cars, motorcycles, three wheeled *tuk-tuk* taxis and their occupants, many of whom were waiting at the busy New Petchaburi-Wireless Road junction just a few hundred yards from the Hilton and the British Embassy next door.

By the time I reached the hotel's front lobby – alerted by a deeply shocked westerner who had escaped from a car caught up in the inferno – I could hear the sound of petrol tanks popping. Outside, at the end of the street, a whole block of small shops, the homes and advertising hoardings on their roofs were ablaze. It was, as the local English language papers said "a fireball".

The fire, tackled by 100 fire-engines, burned for several hours. At least 40 people, including the truck driver, are thought to have died and more than 100 were injured, mostly suffering from serious burns. The final death toll is likely to be much higher.

There is a very real concern here that the headlong economic growth experienced by Thailand has led to safety concerns being pushed into the background. In Thailand, the land of the "deal" as well as the "smiling face", money, and sometimes politics, often seem to come first. Regulations, where they do exist, are often openly flouted.



Vehicles are engulfed in flames in the streets of Bangkok on Monday night after an LPG tanker exploded

There are unconfirmed stories that bus, taxi and truck drivers take freely available (over-the-counter) amphetamines to stay awake and thereby boost their earnings. I saw a truck two days ago with a blown out tyre. Every single one of its six tyres was different, and all of them were bald.

In the booming construction sector it appears that the need to finish a project on time – or boost profit margins – sometimes leads to outright greed. As one cynic put it, human life is cheap while cement may be in short supply.

In Bangkok itself the recent collapse of three buildings under construction – causing eight deaths – has led to the call for tighter and more effectively enforced regulations. Often the cause turns out to be cement wrongly mixed on site, or another storey being started before the concrete has fully set on a lower one.

Mr Bampen Silapa-archa, Thailand's Interior Minister, was quoted yesterday as saying that construction deaths have three main causes: "First,there is carelessness on behalf of the builder, the engineer and the contractor's inspector. Secondly, with the chronic shortage of materials, workmen cut corners by using either substandard or lower strength items, such as smaller reinforcing steel rods or concrete mixed with less cement and more water. And last, a severe lack of moral and ethical responsibility by all concerned that leads to less attention being paid to details."

Certainly a recent spate of disasters appears to be pushing politicians towards tighter regulations on health and safety. In the wake of Monday tanker accident, Prime Minister Chatichai Choonhaven has promised to limit LPG truck operating hours, tighten controls on shops selling LPG and on neon hoardings placed on roofs.

But in Bangkok, once called the "city of the angels", perhaps the most positive sign that public health and safety is now moving onto the political agenda comes from Democrat MP Dr Phichit Rattakul. He began a campaign two weeks ago, against the City's noxious air pollution – caused mostly by the cars, *tuk-tuks* and motorbikes that bring the city to a near standstill for most waking hours.

Japan's only nuclear ship tests its powers after 16 years in moth balls

By Robert Thomson in Tokyo

JAPAN'S ONLY nuclear-powered ship, the Mutsu, once viewed as the future of sea transport for the energy-starved country, yesterday began a voyage in which the vessel's reactor could reach full capacity for the first time since its launch in 1969.

The ill-fated Mutsu has been a public relations disaster for Japan's nuclear industry, which is still recovering from a radiation leak detected on the vessel's first test voyage 16 years ago, when the reactor was operating at only 1.4 per cent of capacity.

Japanese officials hope that the present round of tests, likely to last two weeks, will partly improve the image of the 8,242 ton vessel, which the government hoped would be the first of a fleet of nuclear-powered freighters designed to reduce the country's reliance on oil.

But even if these tests are a success, the Mutsu is almost certain to be retired next year after a planned farewell voyage around international waters. A spokesman for Japan's Science and Technology Agency, which has taken the Mutsu out of mothballs this year, said that the government has no plans for the vessel to berth in foreign ports.

After the 1974 accident, local Japanese authorities refused to allow the vessel to dock, and it drifted at sea for 45 days. The crew tried various methods to stop the leak, and even applied a mixture of rice and borates prepared by the ship's cook in an attempt to slow the leak.

The vessel, which has cost an estimated Y100bn (£386m) to develop, is now based in the northern port of Sekinehama, where local fisherman agreed to accept its presence after the government agreed to pay them compensation of Y1.7bn and build a new port and a clubhouse for their co-operative.

Science and Technology Agency officials said yesterday that the aim of the planned one-year voyage is to collect data about the handling of the vessel in different sea conditions.

The Mutsu has a pressurised-water reactor with a capacity of 36,000kW, a potential top speed of 16.5knots, and estimated range without refuelling of 145,000 nautical miles. Low-level testing of the reactor began last March after a 16 year delay, and the present tests will begin with output at 70 per cent of capacity.

Hong Kong cracks down on illegal immigration

By Angus Foster in Hong Kong

HONG KONG is cracking down on illegal immigrants in a bid to stem the highest influx of illegal workers in ten years.

The government has lifted the maximum penalty for employers found guilty of hiring illegal immigrants to three years imprisonment and a HK$250,000 (£17,150) fine. The government is also introducing a special law aimed at construction sites, seen to be the worst offenders.

The new law is a severe blow to the construction sector. It is one of Hong Kong's leading industries and employs around 74,000 manual workers. According to some estimates, there could be as many as 2,000 illegal immigrants working on construction sites in Hong Kong.

The changes will raise costs and wages for the sector, which is also one of the worst hit by the colony's labour shortage. Some construction companies complain privately they could not compete without illegal labour.

Most of the immigrants are poor peasants from southern China. They are being tempted to risk crossing the heavily fortified border by Chinese middlemen promising work on Hong Kong construction sites.

Some of the immigrants have said they have been offered work on Hong Kong's HK$127bn new airport, even though construction is not due to start until next year.

The government said the measures are necessary following a doubling in the number of illegal immigrants caught in Hong Kong from 40 to 80 a day.

The government is also concerned about the costs of keeping illegal immigrants in Hong Kong's prisons. More than a third of all inmates in the colony's jails are illegal immigrants caught working in Hong Kong.

● Inflation in Hong Kong remained steady at close to 10 per cent in August, government statistics show. The main inflation indicator stood at 9.4 per cent during the month, unchanged on July. Inflation in Hong Kong has been close to 10 per cent for over a year. Some economists fear the effects of the Gulf crisis, not likely to be reflected until the September figures, will push inflation back over the 10 per cent mark.

Li to testify at corruption trial

Mr Ronald Li, former chairman of the Hong Kong stock exchange, has decided to give evidence in his corruption trial underway in the colony's High Court.

Mr John Lloyd-Eley QC, counsel for Mr Li, confirmed yesterday that the former chairman would take the stand as part of his defence. Mr Li had not been expected to give evidence.

He has pleaded not guilty to two charges of accepting shares in Cathay Pacific Airways and Novel Enterprises, a knitting company, as a reward for helping or not obstructing the two companies' listing. The trial is now in its fourth week.

Hopes rise of Angolan settlement

By Patrick Blum in Lisbon

HOPES of a settlement to end Angola's 15-year civil war have risen following the resumption of talks in Portugal this week between representatives of the Angolan Government and Unita, the rebel movement led by Mr Jonas Savimbi.

Diplomats say there is a chance that the deadlock over details of any ceasefire could be broken in this latest round of talks sponsored by Portugal and with the presence of Soviet and US representatives.

US and Soviet officials are not participating directly in the talks but remain "at hand" to provide "technical advice should that be necessary," a diplomat said. Their presence has added weight to the belief that some progress may be achieved.

The talks taking place under tight secrecy at an air force base near Sintra, are the fourth round of direct discussions between the two sides. The last round, in Lisbon in August, failed to make any headway following disputes over the two teams' level of representation and, more important, over the twin issues of a ceasefire and recognition of Unita as a political movement.

The Angolan Government regards a ceasefire as the priority with recognition to follow later after a revision in the country's constitution as part of a broader political settlement. "As long as the war continues, it is very difficult to solve anything," an Angolan diplomat said in Lisbon on Monday.

Unita has so far insisted on a global settlement and that recognition must come first, arguing that it has recognised *de facto* the ruling MPLA government and that it should be recognised in return as a legitimate political party by Luanda.

In the current meeting, the two issues have been separated with the discussion reportedly focusing more on the technicalities of a ceasefire.

The talks are expected to last for three days but may go on for longer if there is a chance of progress. Mr Jose Manuel Durao Baroso, the Portuguese secretary of state for foreign affairs, who has played an important role in helping to bring off the talks, has warned, however, against expectations of "spectacular results".

The Angolan government faces serious economic problems at home and this may encourage greater flexibility. Last Friday it announced tough economic measures including a steep devaluation of the Kwanza, the national currency, and its replacement by a new Kwanza from October 1.

Gaza demolitions allowed

ISRAEL'S Supreme Court yesterday gave the go-ahead for the army to carry out its controversial policy of destroying Palestinian houses and shops in response to the burning to death of an Israeli soldier in the occupied Gaza Strip last week, Hugh Carnegy writes from Jerusalem.

The Supreme Court overturned an earlier court ruling, won by civil rights groups, which blocked the army from demolishing more than 30 buildings along a road in the Bureij refugee camp, where the soldier was stoned and burned in his car. The latest ruling permits the destruction of houses on condition that compensation and alternative accommodation is provided for the occupants.

Palestinians criticise the frequent resort to house demolitions by the army as a brutal collective punishment.

The army argued that yesterday's case was an essential measure to improve security. Major-General Matan Vilna'i, commander of the Gaza area, said: "The immediacy of the action is vital to restore order to the entire Gaza Strip."

EUROPEAN NEWS

French employers appeal for end to the Gulf panic

By William Dawkins in Paris

THE French employers' organisation yesterday said the Gulf crisis had provoked exaggerated economic worries and appealed to government policy makers and company leaders for calm.

The announcement, by Mr François Perigot, president of the CNPF, strikes a far less pessimistic note than the Confederation of British Industry's recent warnings of recession. It comes on the same day as the release of official figures showing a slight improvement in the French jobless rate and a broadly static trade deficit.

"We are today witnessing a crisis of confidence that is disproportionate to the real state of the world's economies, barring any major incident," said Mr Perigot. The Gulf crisis had simply provided "a severe reminder of economic realities" after a period in which "we were comfortably in a growth phase and were surrendering to euphoria".

Businesses must accept the risks and continue to invest, said Mr Perigot.

However, the French government had not done nearly enough to help businesses cope with the rise in oil bills. The recent budget had increased taxes on profits on financial and property assets, while failing to tackle several important business issues, such as the change of ownership in family firms, said Mr Perigot.

His relative serenity was backed up by yesterday's announcement from the Labour Ministry that the number of people out of work in France fell by a seasonally adjusted 0.7 per cent, or 18,300 to just under 2.5m between July and August. Taken over a year, the drop in the number of jobless rises to 1.7 per cent.

However, the improvement is not big enough to make an impact on the overall jobless rate, unchanged at 8.9 per cent, the level around which it has been hovering for the past three months.

According to provisional figures from the customs directorate, the trade deficit expanded slightly last month to a seasonally adjusted Fr5.34bn (£534m), as against FFr5.07bn in July. Given the irregularity of trade in the summer season, this is statistically insignificant. However, it does show some impact from the Gulf crisis, with a rise in the deficit on the energy account from FFr6.17bn in July to FFr7.59bn last month. It brings the trade deficit to FFr23.2bn for the first eight months of the years, down on the FFr31.06bn recorded in the same period of last year.

MR Jacques Delors, president of the European Commission, yesterday voiced doubts over the depth of Germany's commitment to economic and monetary union in the European Community, and called for a renewed commitment, Ian Davidson writes from Paris.

Speaking at a conference on German unification, Mr Delors asked: "Do the Germans really want economic and monetary union? Frankly, I sometimes wonder." Mr Delors was referring to reservations recently expressed by Mr Theo Waigel, German finance minister, and Mr Karl Otto Pöhl, Bundesbank president.

Moscow's 'terrible twins' deepen their rivalry

By Quentin Peel in Moscow

THE terrible twins of contemporary Soviet power, Mr Mikhail Gorbachev and Mr Boris Yeltsin, are set once again for a death-defying dance between confrontation and collaboration.

The sweeping presidential powers to control and dictate the process of economic reform, re-asserted by President Gorbachev this week, could set him at loggerheads with Mr Yeltsin, president of the Russian parliament, and the popular politician who is the only credible alternative Soviet leader.

Mr Gorbachev's move, approved by an overwhelming vote in the national parliament, has been instantly condemned by Russian parliamentary radicals as a denial of both democracy and republican sovereignty.

Yesterday, they threatened to grant Mr Yeltsin identical powers – over property, prices, wages, budgets, but also to create and abolish state structures – in order to counter the threat they see from the centre.

And yet the presidential coup is aimed at the implementation of exactly the same radical economic reform – denationalisation of the Soviet economy and a rapid transition to a market system – as that espoused by Mr Yeltsin and his parliament.

Moreover, Mr Gorbachev has bent over backwards to ensure that his presidential powers are sanctioned by democratic authority. For what he was voted on Monday are little more than the powers he already had under the Soviet constitution, reinforced by a direct vote of the standing parliament.

In spite of the rhetoric, both sides in the Gorbachev-Yeltsin pact, sealed in August to promote the economic reforms, appear to have left themselves room for manoeuvre to keep the deal intact.

The Russian parliament has postponed its own start to the reform measures from October 1 to November 1, and called for talks to agree how it should be carried out.

Mr Gorbachev has invited republican representatives – including Mr Grigory Yavlinsky, the Russian deputy premier most closely involved in drafting the plan – to take part in finalising the all-union version by October 15. Although that is supposed to be a compromise between the radical Shatalin plan, and the much more cautious government version submitted by Mr Nikolai Ryzhkov, the prime minister, the Shatalin plan seems certain to emerge as the main component.

The Soviet leader's closest advisers already have a major package of drastic stabilisation measures, including budget cuts, a credit squeeze, and the first steps towards disposal of housing, small businesses and other state property, ready for implementation.

Professor Nikolai Petrakov, the president's personal economic adviser, yesterday rejected any suggestion that Mr Gorbachev was planning "a state of siege, or something like president's rule . . . the purpose is to implement rapid economic reform".

"It is very important, because on implementing a vigorous economic policy, some of the problems will have to be resolved in one, two or three days." He cited as examples "financial matters, changes in price formation policy, and budgetary policy".

Prof Petrakov expressed his astonishment at the Russian hostility to the president's powers. "It was a reaction based on rumours," he said. "The extraordinary powers are needed (for the economic reform plan) and there is nothing behind it."

Gorbachev rejects Solzhenitsyn call for Slavic state

By Quentin Peel

PRESIDENT Mikhail Gorbachev yesterday firmly rejected the call by the writer Alexander Solzhenitsyn for the dissolution of the USSR and creation of a Slavic state – and then paid a remarkable tribute to the country's most outspoken exile.

"He is, without doubt, a great man," the Soviet leader declared, while at the same time insisting that he "resolutely disagreed" with the views Mr Solzhenitsyn expressed.

"Solzhenitsyn's political views are alien to me as a politician," he said. "He lives entirely in the past, the Russia of the former years, the Tsarist monarchy. This is unacceptable to me. I judge myself a democrat."

However, the very fact of Mr Gorbachev's statement, delivered to the Supreme Soviet in Moscow, and broadcast in full on Soviet television last night, was a clear recognition of the deep chords of Russian nationalism touched by Mr Solzhenitsyn's 16-page political testament, which was published last week in two national newspapers.

In it, the writer denounced the 73 years of Communist Party rule, and called for the three Slavic republics – Russia, the Ukraine and Belorussia – to form a new Russian Union. He also criticised multi-party democracy, and called for the creation of a political system based on village councils, and a ruling Duma of professional classes. The document was published with the financial support of the Russian parliament, headed by Mr Boris Yeltsin.

"The article, and the author's personality, call for a serious analysis," Mr Gorbachev said, revealing that he had read the article in full, two times. "I am seized by very contradictory feelings . . . As a Russian, I fully share concern for the destiny of the Russian people, for the destiny of Russia.

"But at the same time, I cannot agree at all with Solzhenitsyn's attitude to other ethnic groups. According to the mildest evaluations, this is a disrespectful stand. All Russian people have in their genes a vision of their country with all its magnitude, vastness, the multitude of languages, cultures and aspects. It is all of us who constitute the population of this country."

However, the Soviet leader's comments were notable for their concentration solely on Mr Solzhenitsyn's desire to dissolve the union, rather than on his violent attacks on Communist Party rule, and his echoes of 19th century Slavophiles in hankering for a commune-based society.

For all its often reactionary tone, the Solzhenitsyn manifesto has become a major talking point in the country, above all in the Slavic republics, at a time of gathering national tension and pressure for unscrambling the empire.

Sweden looks to the EC for its future

By Robert Taylor in Stockholm

SWEDEN will be a full member of the European Community by the middle of the 1990's, if the country's opinion makers have their way.

Speaking to his ruling Social Democratic party Congress earlier this month Mr Ingvar Carlsson, the prime minister, painted a highly optimistic picture of Sweden's future in a post-cold war Europe. He said that Sweden's traditional neutrality no longer bore the "same heavy burden" now that a new European security system based on the 1975 Helsinki accords was emerging.

Mr Carlsson declared that the Social Democrats wanted to see the new Europe become a home of social justice and solidarity, not "a battlefield for the big companies and primitive capitalism."

Over recent months the prime minister's own attitude towards the EC has undergone a distinctive change, and he is not alone in this respect. Officially, the government line is to negotiate a European Economic Area (EEA) between the EC and the European Free Trade Association (Efta). The goal is to have the EEA in place by January 1 1993, to coincide with the completion of the EC single market. Back in 1988 the creation of a 19 nation EEA with free movement of goods, services, capital and labour was regarded by many in Sweden as an alternative to EC membership. But over the past two years corporate Sweden has become an enthusiastic EC supporter with an aggressive mergers and acquisition strategy and an outflow of capital into the EC. Last month Mr Pehr Gyllenhahammar, Volvo's enormously influential chief executive, came out openly in favour of EC entry.

The country's politicians too are catching up with the economic realities. Increasingly, the EEA is being seen as a negotiated transition stage for the Efta states in their convergence with the EC and not as an end in itself.

At the same time, the dramatic course of events in Europe in the last 12 months – the collapse of communism and the unification of Germany – have undermined much of whatever credibility Swedish neutralism previously enjoyed.

The major opposition parties – the Moderates and the Liberals – want Sweden to apply for EC membership after the next general election, which takes place in September 1991. Their enthusiasm for EC entry has not hurt their standing in polls, which show that together they are more popular than the Social Democrats.

Many Swedish union leaders believe the EC internal market still lacks a credible social dimension and is dominated by the demands of business. But even they accept that the rapid internationalisation of the Swedish economy has sharply narrowed the scope for national political solutions and they are beginning to realise that the momentum pushing Sweden towards the EC may be irresistible. They are also beginning to realise that a clear majority of Swedes believe their country will be inside the EC by the end of the 1990's.

Soviet search for telecom partners

By Hugo Dixon

THE Soviet Union is looking for foreign partners to help it launch cellular communications services across the country in what could be an important test of its commitment to introducing a market economy.

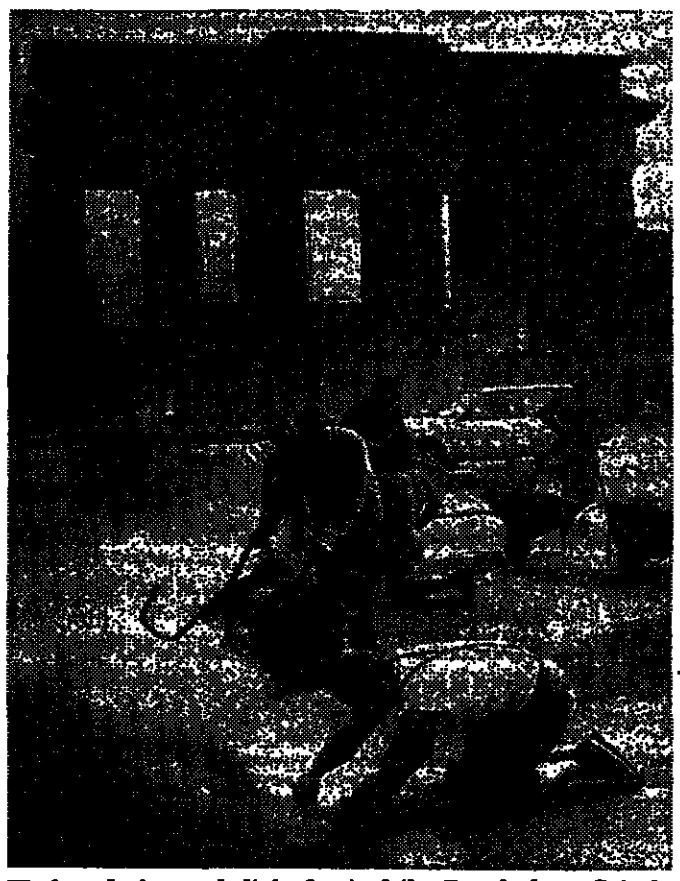
The Soviet telecommunications industry has, until recently, been run on a strict monopoly basis and there are currently no cellular phones. The phone system is also in a poor state with only 40m phones installed in the entire country.

Mr Yuri Gulyaev, chairman of the Supreme Soviet's telecommunications commission, told a Financial Times Conference in London yesterday that foreign participation would accelerate the growth of Soviet telecommunications.

Cellular phones, which in the West are considered an addition to the basic phone system, could in the Soviet Union be an attractive alternative to installing ordinary fixed communications, he said.

The Ministry of Communications last month called for tenders to supply cellular communications services. About 10 licences, for different regions of the Soviet Union, would be awarded, Mr Gulyaev said.

Moscow is following other east European countries, such as Hungary and Czechoslovakia, which have already formed joint ventures with foreign companies to supply cellular services. The Soviet market is potentially much larger than any of these. Mr Gulyaev said there could be between 10m and 15m cellular users by the end of the century.



Workers laying asphalt in front of the Brandenburg Gate in preparation for German unification celebrations on October 3

Bulgaria's ruling party compromises on reform

By Judy Dempsey

BULGARIA'S ruling Socialist (former communist) party has failed to rally behind the platform of radical reform, instead re-electing Mr Alexander Lilov as its chairman.

The outcome of the vote, which was taken in the early hours of yesterday morning following a stormy BSP congress, is likely to lead to a formal split in the party when its more radical factions meet later this week.

In the event of such a split, the opposition Union of Democratic Forces might be persuaded to join a parliamentary block with the breakaway socialists which would undermine the BSP-dominated government and add to the political instability in the country.

Mr Lilov, who replaced Mr Petar Mladenov as party leader last February, proved ineffective in dismantling the gargantuan communist bureaucracy. His lukewarm commitment to reforms were sharply criticised at the weekend at which numerous delegates called for his dismissal.

When Mr Lilov offered to resign, Balkan caution prevailed over risk. Mr Lilov was re-elected and four leading reformers were voted off the 151-member ruling Supreme Council.

However, centrists managed to oust orthodox communist officials from the leadership. These include Mr Petar Mladenov, who was forced to resign as President in August, Mr Dobri Dzhurov, the former defence minister, and Mr Belcho Belchev, the finance minister.

The composition of the Supreme Council was largely engineered by Mr Andrei Lukanov, the prime minister who, despite his pro-reform views, remains determined to keep the party intact.

But since the elections last June in which the BSP won a comfortable majority, internal bickering about the pace of change has prevented the party from capitalising on its election victory.

"The congress has solved nothing," a Bulgarian journalist commented. "The political uncertainty is far from over."

Spain tables proposal on 'Eurocitizen' rights

By David Buchan in Brussels

SPAIN has proposed the creation of the "Eurocitizen" – an individual who would be able to reside, vote, and maybe even do military service in whichever of the 12 EC states he or she chooses - and in the big bad world outside have the right to diplomatic protection from any and all of the 12 Community governments.

The suggestion was put to its EC partners yesterday as they start rewriting the Treaty of Rome this December in preparation for political union. Mr Felipe González, the Spanish prime minister, has already come out in favour of "European citizenship" as a way of bringing Community membership home to the European-in-the-street.

The Spanish proposal was presented to the group of Brussels ambassadors who are charged with preparing discussions on political union. It speaks of European citizenship as being "with economic and monetary union and a common foreign and security policy, one of the three main pillars of the European Union". At present, citizens of one EC state living in another state are no more than "privileged foreigners", it says.

Madrid's initiative brings together some ideas that have already been proposed or floated, such as the Commission's proposal to enfranchise all EC citizens in local elections and the UK government's suggestion of an European ombudsman to champion individuals' causes at the EC level, and one idea – common diplomatic protection – that has been virtually translated into reality in Iraqi-occupied Kuwait.

Those EC embassies in Kuwait closing for lack of food and water have handed on to other EC diplomats staying behind the responsibility for protecting their trapped nationals.

However, for such EC co-operation to win foreign acceptance would first involve the Community replacing its member states as signatories to the Vienna convention on diplomatic representation, the Spanish paper concedes.

Some aspects of the Spanish proposal may well, therefore, get worked into a new treaty, despite the delicate issues involved.

For instance, the Commission's 1988 plan to enfranchise the 4m EC citizens who live in an EC state other than their native one has drawn widespread opposition, particularly from Luxembourg.

Shevardnadze blesses the Mediterranean security plan

By Peter Bruce in Palma, Majorca

THE Soviet Union yesterday enthusiastically endorsed a joint Spanish and Italian proposal to create a permanent Conference on Security and Co-operation in the Mediterranean (CSCM), despite considerable Western scepticism during its launch earlier week.

Mr Eduard Shevardnadze, the Soviet foreign Minister, in a message to a Conference on Security and Co-operation in Europe (CSCE) follow-up meeting on the environment which is meeting in Palma, said the CSCM ideas "undoubtedly merit attention".

Delegates from the US, West Germany and Britain had earlier expressed doubts about the plan, suggesting it was too ambitious. France, one of the key Mediterranean powers, is also opposed to Italian hopes that a CSCM could include the Middle East and wants it contained to southern Europe and north Africa.

But Mr Shevardnadze said that in order to mount a CSCM, "it will be necessary to concentrate the political, material and intellectual resources of all the countries concerned".

Spain, Italy, France and Portugal, and the five Maghreb states are to meet in Rome on October 10 to try to agree on a common CSCM proposal. If achieved, this could then lead to the formation of a preparatory committee of senior officials before the end of the year.

Italy prepares for fresh offensive against the Mafia

By John Wyles in Rome

THE Italian government was last night preparing fresh measures to strengthen the anti-Mafia efforts of police and magistrates after an extraordinary call to arms by President Francesco Cossiga.

In a letter to the presidents of the two house of parliament, the Minister of Justice and to the magistrates' ruling body, Mr Cossiga claimed that recent Mafia murders culminating in the assassination last Saturday of a Sicilian magistrate had "tragically confirmed the extraordinary state of the administration of justice"

The situation, he added, risked making the country's institutions appear "weakened, if not really compromised". The President called for stronger co-ordination between the police and the magistrates and more resources. This is the fourth time in as many years that concern has exploded about the lack of effectiveness in dealing with the Mafia.

While President Cossiga's position makes him the titular head of the magistracy and requires him to voice public concern on important issues, as a Christian Democrat he would also be worried about the growing speculation about his party's electoral growth in many Mafia regions.

US reaches out to hesitant Europe

John Wyles on Washington's desire for a new Atlantic alliance

PREOCCUPIED with its own search for deeper political and economic integration and struggling for an adequate response to the problems of eastern Europe, the European Community does not yet seem to have lent a full ear to the insistent messages from the Bush administration about the need for a new trans-atlantic partnership.

To some governments these messages may sound like the echo of a familiar tune played by the Kennedy administration of the early 1960s, lyrically inspired by the idea of the EC standing beside the US as a "twin pillar" in a new global alliance. Unfortunately, the music quickly went flat because the Community then was far too immature and politically differentiated ever to measure itself against the US in a world dominated by the Cold War confrontation of two superpowers.

Everything is now changed, except, perhaps some European attitudes towards big ideas like a "global partnership" with the US. The Community has already achieved an impressive degree of economic and political integration and is aiming for still more. The Soviet empire in Europe has dissolved and the military threat much diminished, while the US's own financial capacities to play a lone leadership role have been vividly exposed by the Gulf crisis.

The strength of desire in the Bush administration both for

European Diary

rapid progress in EC integration and for the construction of a new partnership with the Community was an extraordinarily striking feature of a conference in Annapolis organised last weekend by the American European Community Association.

The tone was set by Mr Robert Zoellick, chief adviser to Mr James Baker, the US Secretary of State, whose thoughtful and calculatedly rousing after dinner speech argued the "need to unite Europe and the United States in a common approach to the challenges of our generation."

The bespectacled mustachioed Mr Zoellick did much to clarify thinking behind Mr Bush's call in May 1989 for "new mechanisms for consultation and co-operation on global political issues" and Mr Baker's subsequent floating of the idea of a US-EC treaty in Berlin last December.

He postulated the possible development of three quite different Communities: insular and "akin to a large Switzerland"; itinerant, which means engaged around the world but autonomously and "without much interest in new, durable alliance ties for this new era"; or an international Europe "cognizant of its capabilities and responsibilities".

The Bush administration is unambiguously urging the latter, conscious that to achieve an international Community, the 12 must take longer steps towards political integration in both foreign and security policies. Previous US uncertainties about whether a stronger Community was really in the American interest have been set aside and Washington is hoping that a framework agreement will be signed in November affirming common values with the EC and more intense consultation as a potential first step towards a treaty.

In the closed sessions of the conference, Community officials believed that the EC was ready to grasp the outstretched American hand but its capacity for genuine partnership would be limited until further steps were taken towards monetary and political integration. Other participants were more sceptical, wondering whether the forging of new links between the EC and Efta and of the new, more political, association agreements with the countries of eastern Europe promised no more than a deeper "Eurocentrism".

Deeper doubts emerged in discussion. Though President Bush's more consultative style in dealing with his European allies was unanimously appreciated, would the common values stressed by Mr Zoellick be a sufficient glue for a Euro-American partnership no longer held together by a common external threat? Will not the resolution of trade and monetary disputes become even more difficult when neither side continues to feel that the other is crucial for its security?

Could Europe ever be sufficiently "international" and of one mind on global issues such as energy, the environment and regional problems such as the Middle East to be a valuable partner for the US?

Even if it was, would not conflicting political interests and unpredictable Congressional behaviour make policy co-ordination laborious and frequently impossible?

Everyone was agreed that there is too much turmoil in the Soviet Union to make any prediction about its impact on the transatlantic relationship. This supported a general conclusion, however, that the EC and the US ought ultimately to aim for an institutionalised partnership with its own place in the future European architecture. However, the question was left uneasily hanging: can Europe find the degree of unity and, above all, the political will to give substance to such a partnership?

UK NEWS

POLICY PROPOSALS FOR THE ENVIRONMENT

Vision unveiled of a green and pleasant land

By David Thomas and John Hunt

PEOPLE concerned with the environment will recycle a quarter of their household waste, drive more fuel-efficient cars, use freezers and other appliances which cut energy use by up to 50 per cent, live in quieter neighbourhoods and burn at least some electricity generated by wind and other benign sources.

That is the vision of a greener Britain unveiled by the publication yesterday of the government's policy document on the environment.

Two qualifications run through the document's 300 pages, which deal with topics ranging from global warming to the preservation of Britain's cathedrals.

First, the government has been generally mute on how targets such as those for recycling will be met. Second, it has postponed until safely after the next general election most decisions on new initiatives – particularly where they would involve legislation or increase inflation through higher taxes or charges.

For these reasons, the document has the feel of a discussion document. Despite its length, it is largely devoted to initiating debate, rather than announcing conclusions. Mr Chris Patten, Environment Secretary, recognised as much yesterday by stressing that the policy document was "not the last word" on the Government's policies.

He was more reticent about another thread which seems to run through the document – its careful determination to avoid all commitments that would be controversial.

Mr Patten pleaded the constraints of the annual public spending round yesterday for refusing to estimate the impact of the policy document for Government spending. The fact is that the few new initiatives in the policy document would seem to have negligible spending implications.

Leaks during the preparation of the policy document suggested that Mr Patten had lost many of the battles with fellow ministers, particularly over energy and transport. Concerned not to exacerbate either inflation or preparations for electricity privatisation, the policy document rules out taxes to encourage the more efficient use of energy "for the next few years."

The important exception is the transport sector, where the policy document talks of changing the taxation of fuel and vehicles in a bid to encourage people to seek greater fuel economy, although the document is vague about the timing or nature of such changes.

The government appears to have tried to disguise the relative scarcity of new commitments in the policy document by repeating almost every decision of recent years which has any bearing on the environment. Many of the points which the Environment Department chose to highlight yesterday – including a £28bn programme to improve water quality and the commitment to curb emissions of greenhouse gas, the main cause of global warming to 1990 levels by the year 2005 – are old.

When asked about new commitments, Mr Patten pointed to a programme to improve energy efficiency and to protect the countryside. They are relatively small beer compared with the expectations which were raised when the proposal for the policy document was first made.

Even the much-discussed vogue for using market incentives, such as taxes and charges, rather than the traditional regulatory approach to curb pollution receives only a cautious welcome. In most cases, the policy document commits the Government merely to continue examining such charges. "Administrative controls (regulations) will for the foreseeable future remain at the heart of Britain's system of environmental control," it says.

Nevertheless, the policy document gives a crisp account of the five principles which the Government intends to use in developing environmental policy: base action on fact not fantasy; be prepared to take precautionary measures even if total evidence is lacking; be open with information to the public; pursue international co-operation to solve global problems; use a variety of instruments, both regulatory and market-based.

Perhaps the most significant in this list is the Government's clear statement of the "precautionary principle," a touchstone in international environmental negotiations.

"The Government will be prepared to take precautionary action to limit the use of potentially dangerous materials or the spread of potentially dangerous pollutants, even where scientific knowledge is not conclusive, if the balance of likely costs and benefits justifies it," the policy document asserts.

Ministers will be nominated in each Government department to be responsible for its environmental policies. A new ministerial committee under Mr John Wakeham, Energy Secretary, will oversee the drive for more energy efficiency, including in Government departments.

But the Government remains committed to voluntary methods for many of the initiatives heralded in the policy document, such as household waste recycling and energy labelling for domestic appliances.

Back to his roots: Chris Patten, the environment secretary, reads his plans for Britain

Government delivers its 300 page blueprint for the future

FT writers analyse details of today's policy document and the implications by sector

THE MOTOR INDUSTRY: The policy document leaves the UK motor industry and drivers with the suspicion that something painful on the taxation front may be in prospect for larger, less fuel-efficient cars - but they must wait until next Spring's Budget, writes John Griffiths.

The document says the government has already introduced market-based measures to encourage more environmentally "friendly" and economical motoring - through reducing the tax advantages of company cars, higher petrol duties and cheaper unleaded fuel - and says it will "consider whether these measures need to be supplemented by any further changes in the taxation of fuel and vehicles which might encourage people to seek greater fuel economy in their motoring".

Given the thunderous tones in which Mr Chris Patten, the environment secretary, denounced high-performance "gas-guzzlers" at the International Motor Show in Birmingham last week, the wording of the clause was viewed almost with relief by the industry.

Two areas of possible action suggested themselves to the industry last night – higher fuel duties ar a differential road fund licence structure discriminating in favour of economical cars, as practiced in some Continental countries like Italy.

The document promises also to introduce "measures to improve the enforcement of speed limits", pointing out that cars and trucks are at their most fuel-efficient when running in free traffic at moderate speeds.

Absent from the document is any specific Government aid to encourage the adoption of catalytic converters – which clean up 90 per cent of exhaust emissions – between now and the beginning of 1993, when all new cars produced must have them.

The government is allowed, under EC rules, to offer financial incentives for motorists to buy 'cat' cars - a strategy adopted several years ago in West Germany, where most cars sold are fitted with them.

On the wider transport front, the policy document provides encouragement to local authorities and bus operators to adopt measures to improve traffic flow through cities, and thus improve the attractiveness of the bus as transport. It also commits the government to considering grant aid for the development of light rail systems.

TAXES: Proposals to introduce a special tax on fuels such as coal, oil and gas to cut their use and improve the environment have been shelved by the government in the policy document, writes John Hunt.

It makes it clear that a carbon tax on fossil fuels which emit carbon dioxide – the main contributor to global warming – "will not be introduced in the next few years."

However, the white paper makes an exception in the case of transport and says that further taxes on fuel or vehicles may be needed to encourage the use of fuel-efficient cars.

The tax was one of the main proposals put forward last year by Professor David Pearce, special adviser to Mr Chris Patten, the environment secretary.

Mr Patten is considering increasing charges to industries such as chemicals and steel making for discharging polluting substances.

He will to discuss these proposals with the Pollution Inspectorate and the National Rivers Authority. The new system would introduce a system of "incentive" or "full cost" charging intended to penalise pollution and reduce emissions.

The government will be commissioning studies into the feasibility of such a scheme.

A scheme is also being examined to reduce the amount of aircraft noise from airports by making noisier aircraft pay more in landing charges. Some airports already do this.

The core of the government's philosophy is that "the polluter pays". In line with this, it is considering the introduction of levies which a customer would have to pay on an item that is difficult or costly to dispose of as waste.

ENERGY: Anyone worried about mounting fuel bills has more to fear from the Gulf crisis than from the government's environmental strategy, writes David Thomas.

That is the clear message from the decision to rule out "for the next few years" a tax to raise the price of energy – perhaps the most important single means by which government could tackle key environmental problems like global warming.

"In the immediate future the reduction of inflation is of overriding importance," the policy document says in explanation.

The need to avoid further complications to the already controversial privatisation of the electricity supply industry also influenced the decision not to tax carbon emissions.

But Mr Chris Patten, environment secretary, hinted that energy taxes may be back on the agenda after the next general election: "in the longer term, energy prices will inevitably have to rise," he said.

Meanwhile, a £6bn investment programme by the electricity industry to tackle acid rain was given particular prominence by Mr Patten.

The UK electricity industry, however, does not regard itself as committed to this figure.

Whether a figure resembling the £6bn "programme" appears in the privatisation prospectuses of the electricity companies is still far from settled.

On global warming, the government is relying on two main methods to deliver its already announced target of stabilising emissions of carbon dioxide, the main greenhouse gas, at 1990 levels by the year 2000.

- First, renewed stress on energy conservation and efficiency, which has waxed and waned in ministerial attention during the past decade.

The role of the government's Energy Efficiency Office will be expanded, possibly through more grants to companies to save energy.

- Second, more stress on renewable energy sources, such as wind energy and waste burning, which have traditionally been treated as fringe activities by the Department of Energy.

The policy document announces a target of 1,000MW of new renewable electricity generating capacity by the year 2000 – a tenfold increase over current renewable capacity (excluding Scottish hydro-electric plant).

THE LAND: Farmers who run paint-gun war games in their woods or build huge barns without planning permission may soon face constraints, writes Bridget Bloom. On the other hand, landowners may soon be able to contract with individuals or local authorities to protect beauty spots.

These are among the ideas for integrating "green' concerns into existing policies on agriculture, forestry and wildlife conservation.

Otherwise, the new environment policy for these areas as revealed by the policy document is primarily a compendium of existing measures.

Officials privately admit that lack of new resources from the Treasury is the chief reason for this, as well as problems of getting new environmental schemes through the European Community bureaucracy in Brussels.

The policy document hints at two areas where it would like more environmental input to farming.

Under an EC scheme, hill livestock farmers receive substantial production aids which are in danger of leading to overgrazing: the idea would be to switch some of these for heather and other hillside conservation.

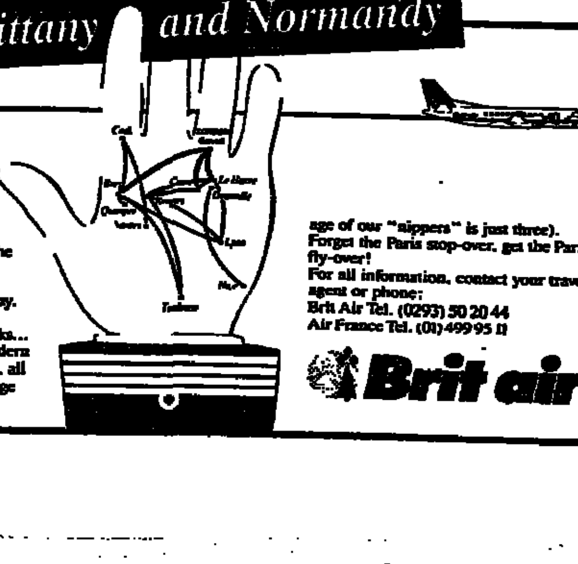
Also, the five-year old Environmentally Sensitive Areas (ESAs), popular with conservationists for encouraging traditional farming methods, are being reviewed and, while there is no commitment in the policy document to go beyond the present 19 areas, this seems likely were funds to become available.

The government, meanwhile, says it intends to 'green' the unpopular 'set-aside' scheme for surplus arable land and to mount "an intensive campaign in 1991 to encourage greater conservation awareness among farmers".

RECYCLING: By the year 2000, 25 per cent of all household waste will be recycled, compared with only 2 per cent today. That, at least, is the target set in the policy document, writes Juliet Sychrava.

But it is a document that offers little specific grist to the recycling enthusiast's mill. While the government plans to encourage recycling - where economic - it will rely on existing schemes such as recycling banks and pilot "recycling cities." It will also count on the willingness of industry and local authorities to come up with new schemes, rather than on new or stringent legislation.

Those teeth that the paper has it owes to the Environmental Protection Bill, which is in the final stages of its passage through Parliament.



UK NEWS

Britain's trade unions face steady decline in membership

Unions try to avert financial crisis

By John Gapper, Labour Editor

LEADERS of the Trades Union Congress will today discuss how to stave off a financial crisis by cutting paperwork and possibly eliminating some of its 30 committees. They will consider ways of saving £400,000 by the end of 1992.

The TUC, which represents Britain's largest unions, has fallen into deficit because of the steady decline in its membership since 1979. It had been facing financial deficits of £1.2m this year and £1.9m next year unless it cut services to its 78 union affiliates.

The general council will discuss a proposal from Mr Norman Willis, TUC general secretary, that it should concentrate on priorities such as helping unions boost recruitment, and widening the agenda of collective bargaining.

This could imply reducing the work of - or winding up - some of its committees covering industries and subjects such as public enterprise. The 18 industry and advisory committees met 150 times last year, and 994 documents came up for consideration.

TUC leaders have already agreed savings of more than £900,000 in 1991 and a further cut of £400,000 in 1992 through staff savings. It needs to cut the workload as it reduces its staff by about 10 per cent through natural wastage.

The workload on TUC staff has built up despite the fall in membership - last year the TUC's affiliated membership fell by 247,000 to 8.4m. New commitments include the TUC's special review body on the future of union organisation.

The TUC has maintained a traditional bureaucratic structure based around the general council.

Committees chaired by union leaders prepare policies on a wide range of issues from the arts to race relations and international affairs.

Mr Willis, however, wants the TUC to concentrate on a smaller range of tasks.

He says the general council "may take the view that there is little prospect of some industry committees" undertaking tasks which deserve priority.

Mr Willis says many union leaders are worried by the amount of paper that is currently presented to the TUC committees.

He wants shorter agendas and some documents not to be distributed to all committee members.

He suggests the priorities should include: helping unions boost recruitment; widening collective bargaining; developing a new framework of industrial law; and pressing the "social dimension" of the European Market.

After the general council has agreed priorities today, detailed proposals for cuts in the TUC workload will be considered by its finance and general purposes committee at a special meeting on October 15.

Poll reveals new awareness of PR voting

By Alison Smith

AN OPINION poll published yesterday suggests that proportional representation has risen in importance on the UK's political agenda, with 45 per cent of those questioned supporting its introduction for elections to the House of Commons.

The survey, carried out by Mori for the Electoral Reform Society, showed that slightly more than 60 per cent of those questioned said they knew "just a little" or more about proportional representation, as compared with slightly less than half of those taking part in a similar poll last year.

Among supporters of the opposition Labour Party, Mori found that 55 per cent were "PR-knowledgeable" and that proportional representation for Westminster elections - instead of the current first - past-the-post system - was favoured by a majority of more than six to one within that group.

Mr Robin Cook, the opposition spokesman on health, said the poll showed that on electoral reform "Labour supporters are way ahead of the Labour Party. It is time for the Labour Party to do some catching up."

More than 30 resolutions and amendments in favour of a review of how MPs are elected have been tabled for next week's Labour Party conference in Blackpool.

Party officials have emphasised that, in spite of the commitment to electoral reform for other elections, the system for voting MPs to Westminster will not be changed.

The survey also showed that among trade unionists who said they knew something about proportional representation (71 per cent), more than two thirds, supported a reformed system for elections to the Commons.

Mr Jimmy Airlie, chairman of Trade Unionists for Electoral Reform, said: "This poll highlights the dangers of trade unions wielding their block votes at Labour Party Conference without discovering the views of their members."

He called on all unions to consult members support a review of voting systems.

FT CONFERENCE: WORLD MOBILE COMMUNICATIONS

Industry finds most calls miss their target

By Hugo Dixon

THE FACT that most phone calls do not get through to the person they are intended for came under scrutiny yesterday on the second day of the Financial Times World Mobile Communications Conference in London.

Speakers estimated variously that only between one in five and one in three calls were completed successfully. The rest were not answered, were answered by the wrong person, or ended in an engaged signal.

Mr Scott Jones, chairman of Boston Technology, a US voice messaging company, said voice messaging - a sophisticated type of answering system - was the answer. He said the fact that people could leave messages and retrieve them when they wanted to improved productivity, ensured that the right message got through, and cut frustration.

"Voice messaging does away with written phone slips and many memos," he said.

Mr David Lewin, a director of Ovum, a UK telecommunications consultancy, said one answer could be "personal numbers". People would alert the phone network to where they were - either by punching in a code or using a computerised credit card - and would then be able to make and receive calls as if they were at home or office. Mr Lewin believed that mobile phones would be a more attractive option to customers than personal numbers, if the handsets were pocket-sized.

Mr Lewin said there would be great attraction in a third service, which he described as "portable numbers." The idea would be that people and businesses would not have to change their phone numbers if they moved home or office.

Ten million people change phone numbers in Europe each year, he said. The average business valued its ability to keep the same telephone number at about $1500 (£802) a line.

Mr Andrew Sukawaty, chief operating officer of Unitel, one of the UK's three personal communications networks, said that PCN would in the long run overcome the difficulty of being out of contact.

BRITAIN IN BRIEF

Gulf crisis 'unlikely' to hit growth

The Gulf crisis will not stop the UK economy growing faster in 1991 than in 1990 even it escalates into a military conflict, according to a report published yesterday.

Business Strategies, an economics consultancy, considers the sectoral and regional implications of the crisis under two scenarios: the first is that the economic blockade continues through 1991 and oil prices average $31 a barrel, and the other envisages military conflict and oil prices hitting $60 a barrel.

While both scenarios will dent UK economic growth, the crisis is "unlikely to result on this occasion in the steep declines in output" experienced in the last two oil price shocks.

The UK is a major producer of energy, the underlying health of the economy is sound and the international effects will be less severe this time round, the consultancy says.

Ad agencies to merge

TBWA and Holmes Knight Ritchie, two London advertising agencies, are continuing the consolidation in the UK advertising industry by merging their operations.

The new agency, TBWA/Holmes Knight Ritchie, will have billings of around £70m which should place it among the 30 largest UK agencies.

TBWA London is part of the privately-owned French marketing group of the same name which has operated in the UK since 1970. The agency, which produced the first Government anti-AIDS campaign, has been searching for a partner for some time to expand its presence in the UK.

HKR, which works for Grolsch lager and the Bristol & West Building Society, recently bought back 25 per cent of its equity from Wells Rich Green, the US agency which has joined forces with Boulet Dru Dupuy Petit of France.

Warning on single market

Living standards and jobs in the new single European market could be hit by red tape, a Government minister warned.

The benefits of the market, including investment, could be put at risk if employers are burdened with unnecessary legislation, according to Mr

Forth: 1992 warning

Eric Forth, the junior employment minister.

"With the advent of the single European market and the spur to greater business efficiency, higher output and more jobs this will provide, the last thing we need in the Community is unnecessary regulation that will add to employers' costs and reduce the prospects for investment and jobs.

"But that is the risk we see with a number of the Commission's proposals for legislation in its social action programme, such as the recent proposals to regulate part-time and temporary work," Mr Forth told a London conference on employment law.

Green Party resolution

THE Green Party ended its four-day conference in Wolverhampton after backing a resolution that British and American troops be withdrawn from the Gulf, and demanding the introduction of proportional representation.

The Green Party is the only national party backing withdrawal from the Gulf. An emergency resolution called for immediate negotiations with Saddam Hussein and condemned any form of military conflict in the Gulf.

The party supported the UN policy of trade sanctions and said these must be maintained until Iraqi forces withdraw from Kuwait.

Economy to 'decline'

The UK economy will decline in the 1990s largely as a result of lack of attention by the government to bolstering the depressed regions of northern England, according to a new report.

The study, by the PA consulting group and Cambridge University's department of land economy, predicts unemployment rising to 2.6m by the end of the century.

Most of the job losses are likely to be concentrated in the poorer parts of the country in the north and in the big industrial cites.

The report, which says overall UK growth will slow from 2.9 per cent a year in the 1980s to 2.2 per cent annually in the 1990s, reinforces the current gloom about the outlook for the UK economy.

It also calls for a new state-led approach to regional policy and demolishes the idea that the gap in living standards and in business expansion between the north and the south has narrowed.

New code for Isle of Man

Greater investor protection and a new code of practice is planned for investment businesses operating from the Isle of Man according to a consultative document issued yesterday by the island's Financial Supervision Commission.

Last year the Isle of Man, a self-governing Crown dependency of the UK which lies between the British mainland and Ireland, became the UK's first offshore island to obtain designated territory status under the Financial Services Act. This permits marketing of Manx-based collective investment schemes into the UK. Granting the status indicated the UK authorities' satisfaction wth the island's regulatory system.

Proposals in the document set out for the first time detailed regulations for the industry.

Most aspects of investment business are covered and the new codes seek to lay down objective standards and tests for licence holders.

Brussels survey on maternity

The government announced that it is to canvass the views of employers and unions on a European Commission draft directive which would give new rights to working mothers including a right to 14 weeks maternity leave.

Mr Michael Howard, employment secretary, said the government accepted the law should protect pregnant women at work but the Commission proposal seemed "to go much further than is either necessary or sensible".

Fears over legal system

Thousands of people are losing their homes every year because they are intimidated by the legal system, according to the County Court Advisers Group, a new national advice group launched yesterday.

It said tenants and house owners often failed to recognise they have strong cases against eviction by landlords or building societies and must be given better advice. The group's chairman Mr Christopher Carstairs, a London lawyer, said: "Some people are so afraid of the county courts, so intimidated by legal jargon and procedure, they convince themselves they have no rights."

Equity backs Japanese star

Mr William MacDonald, the producer of a major new multi-racial Biblical musical has won his battle to cast a Japanese star in London.

But he has been told he cannot have the Japanese understudy he also wanted for Children of Eden. The show is already in rehearsal in London's West End and is due to open at the end of the year.

Equity, the actors' union, says Hiromi Itoh may apply for a work permit from the Home Office but understudy Kumiko Miura may not.

MANAGEMENT

Nicholas Denton begins a series on East European companies with potential by examining Tungsram, the Hungarian lighting producer

A flawed jewel impatient to enhance its lustre

When General Electric of the US bought a majority stake in the Tungsram lighting company of Hungary late last year, the move was generally regarded as a coup. For $150m, GE got the market share in western Europe that it had been seeking for years and control of Hungary's best large manufacturing company. By moving so quickly, moreover, GE avoided the political controversy that began to surround privatisation as the Hungarian parliamentary elections approached.

Tungsram remains, and looks likely to remain for a while, the largest single foreign investment in Hungary. The company retains an advanced research department, an established brand name in the West and, by virtue of its *international orientation, has* escaped the worst of communist central planning.

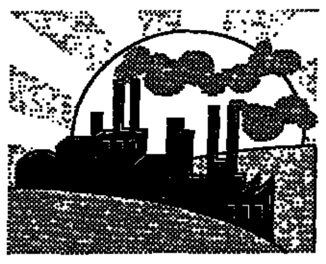
After the company was nationalised post-Second World War it remained a Hungarian flagship and pride in it and something of its spirit still survives. The main Tungsram complex in north Budapest is no gleaming corporate headquarters. But drive back tothe city centre past dilapidated factories and Tungsram shines in comparison.

Although Tungsram is a jewel, it is a flawed jewel. No Hungarian company could have detached itself entirely from an industrial culture in which employment and raw output took precedence over profit, and political lobbying was more crucial to success than the quest for markets. State ownership had left a legacy of bogus accounts, a bloated workforce, activity without function or focus and rigid working practices.

GE's only consolation is that these flaws do not go to the heart of Tungsram and there are few Hungarian companies one can say that of.

Disillusion has set in. GE managers say that they have found nothing that they did not expect. But the daily encounter with 40 years' worth of encrusted habits seems to have left the Americans daunted and frustrated. More seriously, the slow pace at which the company is being transformed has demoralised Hungarian employees and many of the best are leaving the company.

On some criteria, the Tungsram acquisition is already a success. The company's 7-8 per cent share of the $2bn West European lighting market adds to GE's 2 per cent to make the group the fourth biggest by sales, although still a long way behind Philips and Osram.



EASTERN PROMISE

George Varga, whom GE brought in as chief executive of Tungsram, is frank about GE's motives. "West European market share: that was reason one, two and three." Every other advantage he describes as a "kicker." Of Tungsram's $300m-a-year sales, $120m-worth go to western Europe. The company's low labour costs – wages are a tenth of the level of those in the US – and long experience with incandescent lighting (simple light bulbs) and car headlights allow it to undercut Western rivals in these markets.

Tungsram's strengths complement those of GE. Varga cannot cite a single instance where GE and Tungsram are direct competitors.

Varga judges the purchase a success for other reasons too. "It is one that is not going to lose money and it is one that has given GE an image of a company that takes chances, a company that is dynamic." GE has been able to run advertisements in the US saying that it is "proud to be part of Hungary's brilliant future"; press coverage, until recently, has been extensive and favourable. Varga indulges in some self-congratulation: "We were quick, we acted at the right time and we got one of the jewels. There are not many Tungsrams in this country."

Besides the initial strategic move, which was inspired, GE has not done much. The agreement to buy 50 per cent and control of Tungsram was made last November but Varga only took up his post in early February. He was the lone American until May when seven GE managers began to arrive and take over departments. At that time, Varga admitted that nothing *much had changed at* Tungsram.

Even now at the end of the summer, he does not boast of much. "You don't just get your hands on a company of 17,000 people that had a 40-year history of a certain kind of thing and walk in there and say 'everything is going to change'. People's capacity to absorb that much change is just not there." So far, GE has made expedient improvements.

David Harrison, the finance director, has been able to replace some of Tungsram's expensive Hungarian borrowings with export financing. Economies of scale in purchasing have reduced costs. Productivity improvements have been obtained by the simple expedient of a cut in the workforce. A freeze on hiring and an early retirement scheme have reduced the number of employees from 18,000 in January to 16,500 now and is planned to be 15,500 by the end of the year.

GE will invest $20m this year in Tungsram, more than it expected. But on the manufacturing side, Varga admits, it will take time for progress to register. "Without GE coming in with some fresh money and credit lines and without getting rid of 2,500 people. . .Tungsram would have lost a lot of money," says Varga.

As it is, a marginal profit of Ft300m ($5m) is forecast for this year, with expanding sales to western Europe compensating for declining Hungarian and East European markets.

But the GE effect has not filtered down yet to the bulk of the employees. Much of the problem is one of communication. For instance, Varga and Gary Weber, deputy chief executive and vice president for technology, are emphatic that Tungsram's research centre will be maintained and even strengthened. Weber mentions, persuasively, that research in

Lamp ball manufacture at Tungsram, still a Hungarian flagship

Hungary costs one fifth of that in the West. He says that if GE were planning just to have a Mexican-style low-cost manufacturing operation "I would not be here."

But the company's researchers are still convinced that GE intends to drain Tungsram of its original technology and concentrate research work in the US.

It is understandably difficult for seven GE managers personally to transmit a new approach to 16,500 Hungarian employees. "There used to be a company newspaper every Friday which used to take the party line. We now use that for messages to employees: what are we doing, how are we doing, where are we going, what are the plans," says Varga.

"We know nothing about what they plan, what they want," answers Miklos, a research engineer. The Tungsram newspaper reflects the views of the Americans and has nothing about what employees say, he adds. "I never read it," he says.

The gap is large, too, between the expectations of employees and the extent to which they have been fulfilled.

"The Hungarians expected us to do a lot, a little sooner," says Weber. But action for its own sake is against the GE philosophy, he explains. "Let's not do anything stupid" is the motto. It is not a motto appropriate to miracle makers.

"I thought that if an American came here he would blow up everything, but nothing has happened yet," Miklos says. In his own and associated departments, the way of working remains "typically Hungarian", he complains, because no-one has been forced to change.

Younger employees like himself, Miklos thinks, would like the Americans to be more drastic, because then the salary increase might be more drastic too. "Something should happen," he says, even if that something is bloody.

The reduction in the workforce has been gradual and has a long way to go before it reaches Varga's long-term target of 10,000. Most employees are aware of this but not of whether their own jobs are safe, so insecurity is pervasive, even among those whom the company would like to keep. The perverse effect is that some of the most dynamic employees are leaving, not in *droves but in greater numbers* than before.

The company's training programme has contributed to the resentment. Advertisements were placed in Hungarian newspapers inviting applications for a two-year training programme but people from the company who wanted to apply were told that existing Tungsram employees were excluded. No reason was given but it seems likely that this is one way GE hopes to attract new blood. After the two-week summer shut-down many production workers did not return.

Unemployment is still low enough in Budapest, Tungsram's main base, for alternative employment to be easily available. Moreover, Tungsram pay has increased no faster than average. The price of Varga's villa – Ft43m according to the story which does the rounds – is contrasted with the Ft6,000 which a woman on the line earns in a month.

The exodus has been most noticeable among Hungarian managers. The Americans save their compliments for researchers and workers, and have little regard for the organising ability of the staff they inherited. It is in management that the Americans and Hungarians have most contact and that the clash of cultures is most acute. Again, it is some of the best people who are leaving.

Harrison, the finance director, was at the end of his tether after having learnt that another two of his staff were resigning. "I was just about ready to pack it in and head back."

But as Hungarians and Westerners adapt to each other, and expectations of each other become more realistic, the frustrations will become less intense. One thing is sure: if it is a long process for Tungsram, a Hungarian industrial jewel, it will be a longer one for Hungary.

Mark of quality in marketing

By Simon Holberton

Service and quality are shaping up as two of the most important sources of competitive advantage for business in the 1990s. Ensuring high levels of both are taking up more and more management thought and time.

A few companies have appointed "quality directors", *executives charged with moni*toring the organisation's achievement and maintenance of quality. Conferences for managers about issues of quality and service proliferate as *do books, both good and bad,* on the subject.

With notable exceptions, however, the quality challenge has been taken up mainly by manufacturers. A decade ago a standard of quality was produced for them, BS 5750, the British quality standard. Relating it to other business functions, such as marketing, sales and customer service, has, however, proved difficult.

Is it possible to have a BS 5750-type standard for for such areas of business activity? A service launched this week answers this question in the affirmative.

It is called Marketing Quality Assurance (MQA) and it is the first organisation to confer on companies a BS 5750-type mark of excellence in the area of marketing, sales and customer assurance. MQA, which is owned by P-E International, the UK listed management consultancy, has entered into a co-operative arrangement with the British Standards Association which will promote MQA and train its assessors.

In accordance with the requirement of the National Accreditation Council for Certification, MQA will appoint an independent chairman and governing body who will have the responsibility for ensuring the impartiality of all MQA assessments and activities. Ian Griffith has been appointed director of MQA and he says the company hopes to have its chairman and governing board, consisting of recognised professionals in the fields of marketing and quality, in place by the year end.

Griffith has been involved with the initiative for the past four years, while P-E became involved a little over a year ago. He says it has been well received, especially by chief executives who are keen that ideas of quality and service are infiltrated throughout the company.

The specification is highly detailed – in outline, it covers:

- Business plans. Companies must be able to show that marketing was and is involved in the development of their business plans.
- Review of market needs. A clearly defined process must exist for identifying and re-assessing customer needs and preferences.
- Marketing sales and operations. The specification calls for the best practice in all operational areas, including product development, promotion, pricing, selling and distribution.
- Customer assurance. The assessors will examine explicit and implicit customer assurances to determine if they are being satisfied.
- Resources, personnel, and training. The MQA standards require that organisations employ well trained and experienced staff. Their responsiveness to the needs of the market place will be assessed.
- Documented quality system. It is an essential requirement that companies have the capability to measure their own performance in meeting their customers needs.

Griffith says that companies will have to pass all the specification's requirements before they can gain accreditation. He envisages the process taking from four to nine months and costing £8,000 to £12,000 excluding the £500 application registration fee.

If successful, a company will be able to display the MQA logo as proof of it meeting the standard of a quality provider of marketing, sales and customer service. After accreditation a company will be visited at least at six-monthly intervals to see that it is maintaining standards. In the event that it does not, MQA may withdraw the company's right to use the MQA logo.

Marketing Quality Assurance. Park House, Wick Road, Egham, Surrey, TW20 OHW. Tel: (0784) 430953; Fax: (0784) 430967.

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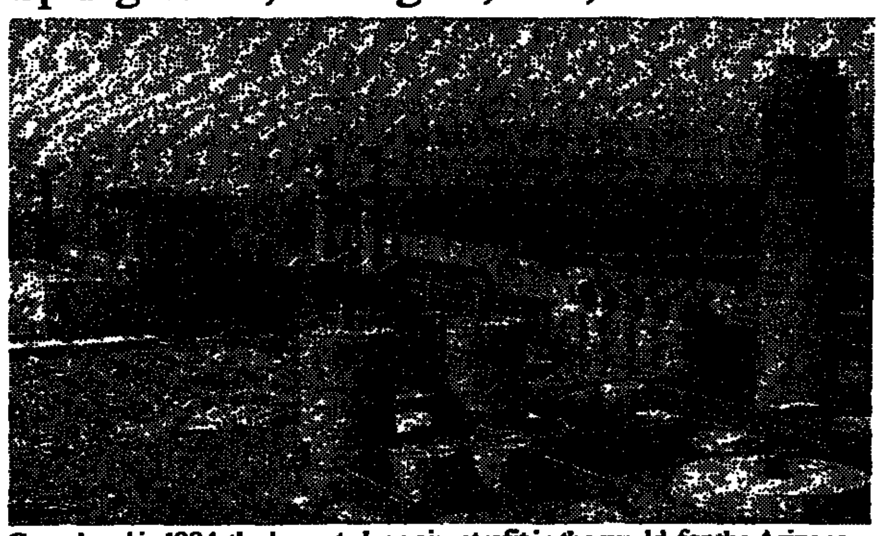

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TECHNOLOGY

Hugo Dixon asks whether British Telecom's monopoly of local phone services can be broken

Competition comes calling

One of the principal issues in the UK government's forthcoming review of telecommunications policy is whether anything can be done to crack British Telecom's monopoly of local phone services.

Seven years after the launch of the government's "duopoly" policy, Mercury Communications' failure to make any significant impact in the local phone market is regarded as a big disappointment. Large business customers now have a choice of carrier for long distance calls, but ordinary residential customers usually have little option but to stick with BT – something which in turn means the dominant company has little incentive to improve its service.

But can anything be done to change the situation? Or is local telephony a natural monopoly, with a single network enjoying such powerful economies of scale that only the most extreme forms of tilting the playing field to help new competitors could curb BT's dominant influence?

Observers see competition coming from two quarters. The first is the cable television companies; the second is radio communications.

Both the Department of Trade and Industry and the Office of Telecommunications, which are jointly conducting the duopoly review, hold out great hope for personal communications networks, a new mobile communications service licensed last year. PCNs differ from cellular communications systems in that they operate in a higher frequency band (1.8Ghz) and have a shorter range (1km), but otherwise are much the same. Three operators have been licensed to provide PCNs and are expected to launch their services in two to three years.

The idea is that PCN will compete not only with cellular communications but will eventually, perhaps by 1997, be able to compete with BT's fixed networks. People would not need a copper wire going into their homes, if they could have a small telephone which they could pop in their pockets and use anywhere.

Others point out that since the PCN technology is not really different from cellular, and cellular calls are about four times as expensive as calls over BT's ordinary network, the prospects of competition are dim.

This argument misses two points.

First, it ignores the way that technology is changing relative costs. The main costs of installing a fixed network are digging up the roads and putting in copper cables. The main costs of a mobile network are radio base stations and the hand sets.

There seems little prospect that the cost of digging up roads will decline over the next decade. Advances in micro-electronics and radio technology, however, should lead to lower costs for mobile communications.

Second, the current 4:1 price advantage of the fixed network is an exaggeration of its underlying cost advantage, because prices are not the true reflection of costs. BT, for example, claims that it is charging customers half what it ought to for providing them with local telephone lines, and the cellular operators are making a hefty margin on phone calls made over their networks. An analysis of Racal-Vodafone's accounts shows that it would still be making a profit if it cut its prices by a half.

Competition should drive prices closer to costs. On the one hand, as BT faces more competition in the long-distance market it will press ever more vigorously to be allowed to put up its local line charges to compensate for cuts in long-distance rates. On the other hand, as the PCN operators compete with the cellular networks, they will drive down the rates for using mobile phones.

Personal communications networks, however, are not the only mobile technology vying to compete in local communications.

Another technology is cordless telephony. The UK's experiment with Telepoint, which involves putting base stations in public places and allowing people to make phone calls if they are within 100 metres of them, has so far been a disappointment. But supporters of the underlying technology, known as CT2, argue that it could be an attractive alternative for local phone calls if the Telepoint operators were allowed to offer incoming services instead of being restricted to carrying outgoing calls.

Two new applications, in addition to the Telepoint approach, are foreseen. One would involve putting cordless switchboards in offices and issuing employees with pocket phones. A second application would involve putting the same cordless switchboards, which should be on the market within the next year, in the street. People living in that street would be able to dispense with their BT wires and use the cordless phone instead.

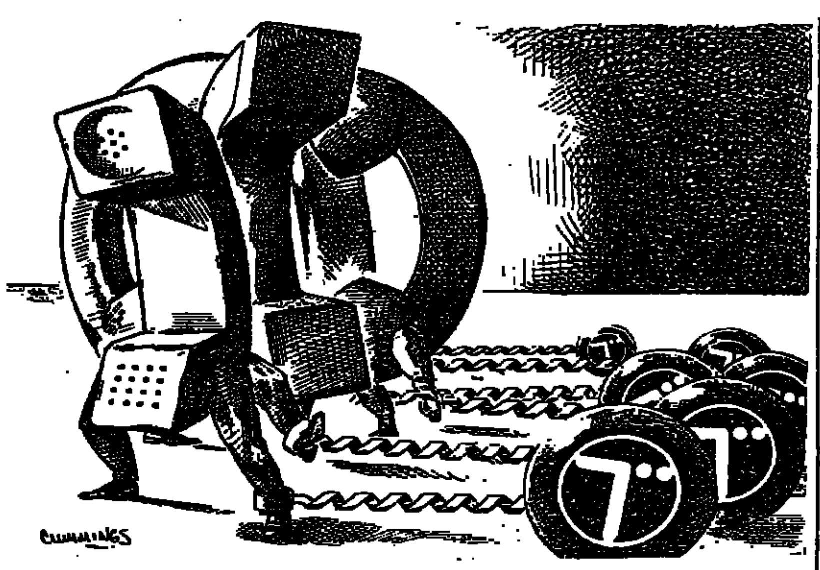
The real believers in cordless telephony argue that all three applications will reinforce one another, allowing people to use the same handset in the office, at home, or in the street. Others, however, point out that the short range of CT2 – only 100 metres – limits the technology's application to the office environment. The average length of a BT copper wire is 1.2 kilometres, meaning that a technology such as PCN might be considered more suitable.

Another interesting idea is that mobility could be provided within the fixed network. The idea is that people would have a smart card, a credit-card containing microchip, which they could slide through a terminal when they reached a new location, so alerting the network to where they were. This approach is being developed in Scandinavia by Televerket, the Swedish phone company, and Ericsson, the Swedish telecommunications manufacturer. Televerket argues that smart cards would be the first stage in the move towards personal communications. In the second stage people would be able to buy small pocket phones which would connect with the fixed network by radio links, so giving them complete mobility.

The advantage of such an approach is that there would be a single united network, with radio being just one way of accessing it. Televerket argues that this would allow prices to be much lower than the current cellular systems, because there would be no need to have an entirely separate mobile network.

The snag is that this prognosis, while neat from an engineering perspective, does not take account of commercial factors. Mobile communications is growing at a rapid pace throughout the world, in response to a real demand from consumers for mobility. By the end of the century, mobile communications networks are projected to have grown to such an extent that they could be almost the same size as the traditional fixed network – in which case the idea of starting again and adding mobility into the fixed network might seem rather perverse.

Nevertheless, the approach outlined by Televerket could appeal to BT, which is restricted in its exploitation of mobile communications by the government. Its ownership of Cellnet, the cellular operator, is limited to 60 per cent; its share of Phonepoint, a telepoint company, is 49 per cent; and it was not granted a PCN licence. It might therefore decide that the best way to meet the challenge that mobile networks pose to its fixed network would be to turn its own fixed network into a mobile one.



ADVANCES IN technology not only open up new possibilities for introducing competition in the UK telecommunications market but also provide new weapons for preventing British Telecom from abusing its dominant position to squash its rivals.

The two key advances are the replacement of old-fashioned analogue exchanges with digital or computerised exchanges, and the move towards "intelligent networks".

The introduction of digital exchanges means that it is easier to connect multiple networks together. In particular, digitalisation makes it more practicable to introduce a system known as "equal access". With equal access, users dial one code if they wish to use BT for their long-distance calls, another for Mercury, and yet others for any new competitors.

However, it will not be until the early years of the next century that BT has completed its digitalisation programme, meaning that it could take more than a decade before equal access is available on a nationwide basis. Moreover, some observers have argued that BT might even have an incentive to go slow on its digitalisation programme as a means of holding back the competition.

The introduction of intelligent networks is a two-edged sword, as they could be used to close markets to competition as easily as they could be used to open them up.

The idea is that by locating much of the intelligence in a communications network in centralised databases rather than in exchanges new services could be introduced quickly and at low cost.

BT has already used the concept of the intelligent network to launch an advanced freephone service. Other ideas include: virtual private networks, which would give companies the feeling that they were operating their own private network although they were using the public infrastructure; and alternative billing services, which would, for example, allow people making business calls from home to charge their offices.

The regulatory question is who should control the centralised databases. One argument is that it may not make sense for most intelligent network services to be operated in a competitive environment. For example, it makes sense to have only one database containing telephone numbers – if there were several, they would either be exact replicas of one another or, if not, people would not know which one to call to find the right number. It might, therefore, be argued that BT would be the natural company to own and operate such databases.

Against this, it is possible that some services, such as credit card billing, could be operated in a competitive environment. Also, even in a case like numbering, BT might not be the most efficient company to operate such a national resource and it might use its control of the database in an anti-competitive manner.

One way of dealing with these problems would be for regulators to define rigorously technical interfaces between the telecommunications exchanges and the databases, and between one database and another. This would then open the way for competition on those services which were susceptible to competition and for other services to be contracted out to the lowest cost/highest quality operator.

Another article, on cable television as a competitor to British Telecom and the local phone network, will appear tomorrow.

Holding on tight to intellectual property

THE US agricultural engineering industry has strongly resisted the claims of the British Technology Group that its award-winning method of stripping grain can more than double the world speed record for harvesting grain. Makers of combine harvesters forecast that its productivity could cut their sales. They also claim that the method is not suitable for harvesting rice.

So this summer BTG organised a full-scale demonstration in Louisiana, in conjunction with the Louisiana State University and the Rice Research Station at Baton Rouge. "To say the trials were a success would be an understatement," claims Ian Harvey, BTG's chief executive. The grain-stripper, invented by a British government laboratory, is acknowledged to be the kind of high-productivity technology Louisiana needs to stay in rice growing, he says.

Demonstrations of this kind are an important part of the rationale for BTG's latest commercial venture, launched yesterday: a wholly-owned US subsidiary called BTG USA, based in Gulph Mills, Pennsylvania.

Harvey, chairman of the new US venture, sees North America as a major opportunity for expanding BTG, as the world's biggest technology transfer agency. At $47m (£25m) last year, he claims that BTG's licence income worldwide exceeded the total raised by all US universities (which he estimates at $40m) and by all US government laboratories ($5m). Even the Massachusetts Institute of Technology with its impressive technology transfer operation is not patenting outside the US, he says. BTG is negotiating to undertake this for MIT.

Only 14 per cent of BTG's 499 technology licences come from the US, but 33 per cent of its licensing revenue comes from there. Britain, by comparison, produced 71 per cent of its licences but only 20 per cent of its licensing revenue last year.

BTG brings to the US a comprehensive knowledge of international patenting, says Harvey. Even the multinational IBM missed out badly in failing to patent its Nobel prize winning high-temperature superconductor outside the US.

BTG has also shown readiness to fight for its intellectual property. Companies such as General Electric of the US, Siemens, Hitachi and Toshiba have been forced to pay royalties on its British patents on magnetic resonance imaging (MRI). BTG has recently won a protracted battle with the Pentagon over its hovercraft patents.

The MRI battles since the mid-1980s, which have won several million pounds in back-paid royalties passed on to British academic inventors in the last two years, had another significant consequence.

The first company to capitulate was the US health-care group Johnson & Johnson, which later admitted it was so impressed by BTG's tough line on intellectual property rights that it invited the agency to handle a portfolio of about 100 patents relating to new medical imaging technology, a business it no longer wanted to pursue.

At its US launch yesterday BTG announced the first two licence agreements based on the J&J portfolio: with ADAC Laboratories in California for imaging systems for nuclear medicine; and with Universal Sonics in the US for a licence to develop an ultrasonic diagnostic system for the heart.

It also announced an agreement with the Mayo Foundation to manage the intellectual property of the Mayo Clinic, a large medical research centre in Boston.

"Invention is random," Harvey says, so typically only 30 per cent of the inventions of any research-based organisation will be relevant to its business. "The rest is screened out." BTG believes it has the skills and experience to exploit more of the "irrelevant" 70 per cent of technology to the organisation's advantage, through agreements like that with J&J.

The company is discussing the intellectual property rights with a number of organisations. US companies generally are more receptive than European ones, he says. But it takes patience to persuade the US firms to take a long-term view. Typically it takes about two years to negotiate a licence agreement, and perhaps another two years to turn intellectual property rights into a commercial product.

David Fishlock

ARTS

TELEVISION

Why British is best

Christopher Dunkley at the Prix Italia

If you want to eat well in Palermo, go to Mondello just round the promontory from Sicily's busy but ramshackle and crime infested old port (Mrs Dunkley fought off her bag snatcher, ripped off his shirt, knocked his motorcycle over, and retained all her belongings but Liz Forgan, director of programmes at Channel 4, was less fortunate: within the grounds of Palemro's most expensive hotel her bag was snatched and her money stolen). The little seaside town of Mondello is lined with good fish restaurants.

Last week many of the tables were filled with British broadcasters, and there were two topics of conversation: the uniquely high standing and success of British commercial television in an international context and the Government's plans to tear Britain's commercial television network to bits and auction them to the highest bidders.

The occasion was the 42nd session of the Prix Italia, which began as a radio festival, inspired by the Italians and put together by European public service broadcasting organisations at Capri in 1948. Today it is the most highly regarded of the world's true programme festivals (of which there are few, though there are scores of marketing festivals) and, predictably, television has come to play a major part. Television was added to the agenda in 1957, and these are the top six countries in today's all-time TV prize table:

UK	– 30
France	– 10
Sweden	– 10
Japan	– 7
USA	– 6
West Germany	– 5

It makes Britain's international standing in car exports, painting, or even an activity such as athletics where the UK is considered relatively successful, look remarkably unimpressive. And although the BBC and ITV have shared the Prix Italia honours pretty equally over the past 20 years, this year the laurels all went to ITV. Not only did their documentary about life in today's Soviet Union, *Hallo, Can You Hear Us?* win one of the three actual Prix Italia awards, they also took the ecology prize (a category which has been tacked on during the last five years, but without a full-blown Prix Italia) and Channel 4's music entry *Una Stravaganza Dei Medici* took the "special" prize in the arts section. Thus out of the seven prizes for television this year, British commercial television took three. No other country managed more than one.

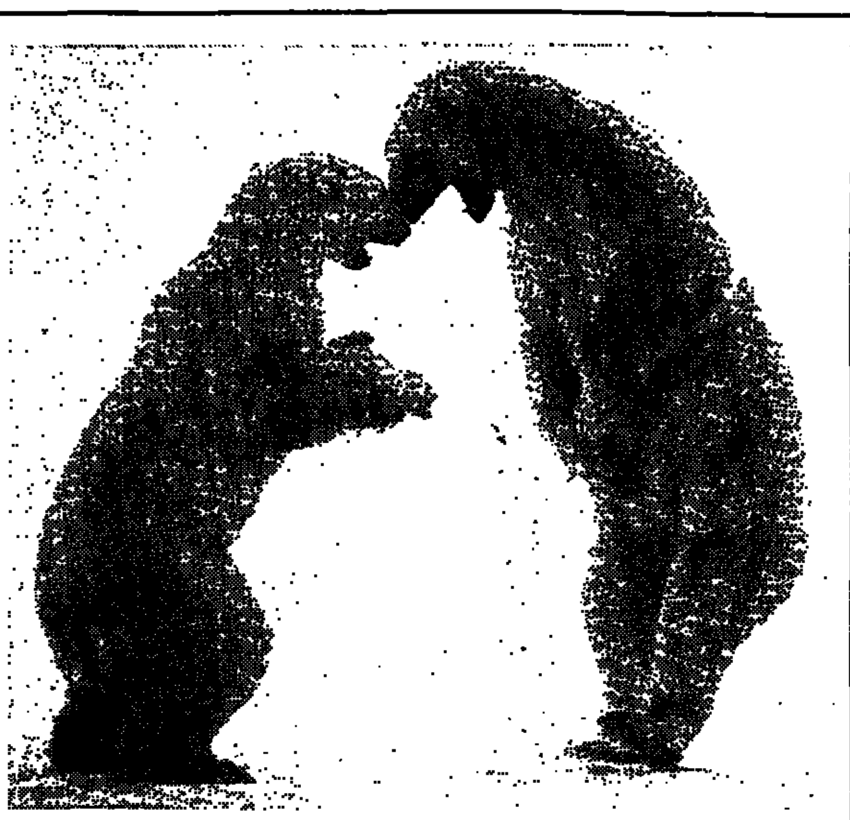
And yet at those restaurant tables, after the health of the winners had been drunk in spumante but long before the farfalla alla salmone had been consumed, the conversation turned to the likely effects of the Government's new broadcasting bill which is in the final stages of its passage through parliament. Though the diners included not only ITV people but others from the BBC and the Independent Broadcasting Authority (soon to become the Independent Television Commission with responsibility for the "blind crapshoot" in which bidders will have to name their price for an ITV franchise without knowing anyone else's offer), it was difficult to find a single word spoken in favour of the new system.

The present federation of ITV regional companies (Anglia, London Weekend, Border and so on) ran a well established national network, said one company programme controller. But suppose Granada failed to win back its own licence under the new system: what would happen then to Britain's most popular television programme, *Coronation Street?* If Granada was forced to become an independent programme-making company, selling on the world market, the price commanded by *Coronation Street* could well ensure that it ended up with the BBC or satellite television.

Another ITV voice made the point that Yorkshire, say, might be outbid for its own franchise yet offer the highest bid for Central's: the existing companies were almost certain to bid "protectively" for one another's licences, and there could be a mad game of musical chairs in which the Thames people ended up with the Anglia contract, Anglia won the TVS licence, and TVS won Thames. While discussing these possibilities the managing director of one major ITV company finished his gamberoni alla griglia, leaned back in his chair, and broke into a long, weak chain of giggles. What was there to laugh about, I asked. What else could you do, he replied, faced with such an absurd situation.

Of course television journalists with their revelations about killings in Gibraltar, and their obstinate tenacity over the Guildford Four, the Birmingham Six, and so on have been a thorn in the side of this abnormally long-lasting Government. But to an outsider, what British politicians are now doing seems peculiarly short-sighted, even a little like cutting off their noses to spite their faces. To take a British industry with such extraordinarily high international standing and force it through such a uniquely disruptive and (potentially) fatally damaging sieve, all in the name of a political doctrine – "market forces" – which already governs that industry anyway, looks suspiciously like spite.

And what is it about British programmes which seems to impress international juries more often than those from any other country? They are, of course, almost invariably technically proficient and even advanced; but then so are programmes from the US, Japan, and many European countries. If there is a single underlying factor that counts it is, I suspect, that British programme makers rarely forget that they are working for a *mass* medium, and yet they manage to avoid the crass populism of so such American material.



Ecology winner from Central: 'Can Polar Bears Tread Water'

The academics and theorists who cluster around television festivals tend to seek out the most esoteric programmes and point to them as proof that television can be just as "serious" as other media of communication or entertainment. Programmes such as Switzerland's arts entry at this year's Prix Italia, *Verklaerte Nacht*, with a Schönberg piece dramatised in a 19th century railway station, send them into rhapsodies.

But the jurors are almost invariably programme makers, often heads of department, and they recognise the realities of television: the need to work within a framework of costs and ratings which leaves little room for intellectual pretentiousness. It is, perhaps, the ability of British broadcasters to remain within that framework, and combine popularity of style with seriousness of purpose, which most impresses their international peer group.

Nor is that ability some fortuitous Anglo Saxon phenomenon which has appeared out of the North Sea. It has emerged in the last 35 years as a result of Britain's unusual television system, in which the original public service broadcaster (the BBC) has competed with a federation of commercial companies (ITV, joined latterly by Channel 4) with virtually all viewers splitting their time between the two, and the ratings dividing around the 50:50 mark most of the time. The symbiotic exchange between the BBC's public service principles and ITV's commercial imperative has been peculiarly productive, not least in that flair for combining popularity and seriousness. Common sense suggests that the Government's new broadcasting legislation will do nothing to help this admirable situation and possibly much to harm it.

Having said all that, it is time to set aside national pride and record that the 1990 Prix Italia proved vividly how very quickly big-budget television is becoming solely international television. Of the three actual Prix Italia winners only the drama – *La Fracture du Myocarde* – could be described as nationally pure: one of those stories about childhood in which the children are both amusingly knowing and endearingly naive it was, of course, wholly French. The arts winner, *The Orchestra*, was an American programme made by a Pole with Japanese money; and Britain's winning documentary, *Hallo, Do You Hear Us?* was made by a Latvian for Central Television (the same company which produced the ecology winner).

Other memorable international efforts included Japan's *Libertate*, which chronicles the astonishing fall of the Ceasescu regime via amateur Romanian videos; Italy's gorgeous looking drama, *Cellini – Una Vita Scellarata*, which stars an Italian, a Swede (Max von Sydow as the Pope), an English girl (Sophie Ward) and was co-produced by RAI with Beta Films and Cinemax; and Germany's arts entry, *One World, One Voice* which proudly lists its co-producers as: BBC (UK); DFF (East Germany); NDR/ARD (West Germany); NHK (Japan); NRK (Norway); ORF (Austria); RTE (Ireland); RTP (Portugal); SRG (Switzerland); SVT (Sweden); TVE (Spain); YLE (Finland) and Gostelradio (USSR).

Babel in a box.

Cyrano de Bergerac

GREENWICH THEATRE

Edward Petherbridge, one of the most justly loved of British actors, represents one certain character, and the parts he plays are variations on it. He is the canny observer who stands apart; the man distinguished by his delicate sentiments and refined manners and sharp eye; the acerbic critic whose hidden heart bleeds. Everything about him – fingers, eyes, lips, stance and, most memorably, voice and diction – makes this inner nobility and sensitivity touching. No wonder that a glorious series of interpretations – such as Newman Noggs (*Nicholas Nickleby*), Lord Peter Wimsey and, in particular, Alceste (*The Misanthrope*) – have brought him now to Cyrano de Bergerac.

Edmond Rostand's 1898 play is a great concerto for a star actor, and Petherbridge is the perfect violin for many of its facets. He has poetry, chivalry, wit, pathos. The long nose seems as truly part of him as the darting, large, eloquent eyes. He has the perfect hands to hold a quill, and, as he searches for inspiration, to run a finger slowly up his brow and into his hair. And he conjures magic from the sibilants of his nocturne on Paris. In the great balcony scene – where, on behalf of Christian, that unworthy Adonis, he woos his own adored Roxane with his own voice, words and emotion – he is poignant. As his life ebbs away in the final scene and he begins to recite again the farewell love-letter he once wrote in Christian's name, his blend of ardour, dignity, clarity and melting softness are highly affecting. (Not since *Shadowlands* have I witnessed such sniffs and sobs from an audience.)

He is not, however, robust, whereas Cyrano is a warrior. His fights are neatly choreographed. In the big fracas at the pastry cook Ragueneau's, Petherbridge soon takes himself out of the fray and, on the sidelines, watches developments. Derek Jacobi's Cyrano, in the early 1980s, though more obviously studied and virtuoso, had more force and range. Petherbridge's performance is beautiful in everything it does: but it leaves some things undone.

The production by Matthew Francis gives him lively support everywhere, but is rather too pat. If only the leaves didn't start falling just as someone says they are, if only offstage music didn't strike up in the very instant of Cyrano's death. Jemma Redgrave is Roxane: ravishing to behold, clear and grave of voice. She is, as yet, too unvarying in volume. In suggesting an idea of mid-17th century France, Stewart Laing's designs are bright but generalised, whereas Mia Soteriou's music is more specific and suggestive.

Rostand's own efforts to convey the period were marked. References to Corneille, Moliere, Callot, even d'Artagnan abound. At the same time, the play abounds in late 19th-century Romanticism; at times its gushing imagery recalls Swinburne. The extensively revised version of Patrick Garland's English version used here is fitfully successful in conveying the effect of Rostand's alexandrines. The trouble is that, thanks to the Old Vic and other theatres, the original 17th-century dramas of Corneille and Molière, which were Rostand's models, are far more immediate and pulsating and complex. After *The Liar*, *The Illusion*, *The Misanthrope* and others, Rostand's play, in this version at least, is charming, eloquent, simple and sentimental.

Alastair Macaulay

Alastair Muir

Edward Petherbridge and Jemma Redgrave

Fences

GARRICK THEATRE

Here is a piece of American working class soap with a touch – just a touch – of Arthur Miller. If you like a real sentimental wallow, you may love this. But do not make the mistake of thinking that it is anything much more.

August Wilson's *Fences*, which opened at the Garrick on Monday, is a play about poor – well, relatively poor – Americans in pursuit of the American Dream. Its performance at the Liverpool Playhouse was reviewed by colleague, Alastair Macaulay, on August 17.

The piece spans the late 1950s to the mid-1960s and ends with the extended family still together and – for no more obvious reason than economic growth – rather better off than it was at the start. The difference from more conventional versions of the dream is that everybody is black. Otherwise it might be *Dallas* with a happy ending and without the affluence.

For, between times, the family goes though all the familiar clichés of family feuding, suspected fraud, violence, an illegitimate child and the male regret at never having quite made it at baseball or football. There is even a fight director listed in the programme. Sentimentality, however, is never very far away.

There is also some symbolism, as the play's title suggests and perhaps the name of the main character, too, for he is called Troy. Played by Yaphet Kotto, Troy is building a fence round his house, though whether to keep other people out or to keep himself in is never quite clear and is perhaps not meant to be. But it is presumably significant that he does complete it, just as his friend, Jim Bono, also finally manages to buy his (Bono's) unseen wife a refrigerator. The American Dream, it seems, is always realisable in the end.

Troy is married to an American matron called Rose, who on the whole wears the trousers. The money to build the house may have been taken from Troy's brother, Gabriel, who has turned into a religious nut-case and has some quite funny lines about eating biscuits with St Peter. Troy has two sons, one by Rose and one from before. They go through the usual quarrels, none of them much different from standard family television drama.

Yet despite Rose's cooking and a plentiful supply of gin, Troy is not quite satisfied. He has a child by another woman. The mother dies in child-birth and the real corn begins. The baby is introduced into Troy's family.

Several years elapse and the corn gives way to syrup. Troy dies. One of the sons returns from Vietnam (of course) determined not to go to the funeral. He is won over by the little girl. "Go and say 'Hello' to your brother," says Rose. The girls walks across the stage and says: "Hi!" He goes to the funeral after all.

Mr Kotto seems to be to overdo it a bit as Troy. Rose is a nice womanly part played by Sally Sagoe. The little girl is as enchanting as she should be and the play is directed by Alby James. Apart from anything else, it would be a better piece if it were half an hour shorter.

Malcolm Rutherford

The music of Lalande in Versailles

Michel-Richard de Lalande (1657-1727), the Versailles composer par excellence, was the choice for the third of the festivals put on at the royal château by the recently founded Centre de Musique Baroque. Imagine a festival of Purcell at, say, Hampton Court, drawing full houses for five out of seven events over three days, as happened at Versailles during a mid-September weekend, and you may wonder why we smugly think of the French as unmusical.

Six of the concerts were given in the Versailles chapel, very much the composer's home territory; Lalande became one of the four *maîtres de chapelle* when the court moved there in 1683 and gradually acquired his three colleagues' jobs, at the same time slipping unobtrusively into all the posts connected with supplying Louis XIV with chamber music. In his way he out-Lullied Lully.

Lalande is remembered primarily for his *grands motets*, substantial pieces, each about half an hour long, of which he wrote some 70. They are essentially the classics of the genre, and very splendid, noble pieces they are, richly scored and full of grave, and especially pathetic effects. After listening to eight of them over three days the central impression is of the gleam of the violin tone throughout the choral counterpoint, the telling chromatics that colour many a phrase, and a breadth of invention that must have lent such grandeur and dignity to proceedings in the Versailles chapels.

One of the most famous of Lalande's motets is the *Te deum*, a typical, grandly ceremonial trumpet-and-drums piece in D major. Arguably Lully, and perhaps Charpentier, did that sort of thing just as well, if not better; but Lalande's strengths lie equally in the opulent invention of the solo numbers and the graceful interweaving of soprano and violin in "Tu ad liberandum". This piece, aptly enough, was saved to bring the festival to an end, in the Sunday-evening concert contributed by William Christie and his Arts Florissants ensemble. But it was a curious event, decidedly lacking in the *gravitas* that ought to belong to this repertory as the players bounded through the score, freely sprinkling those *notes inégales* with which some of the French may once have added jauntiness to their music – though not, surely, quite so indiscriminately to the music of high ceremonial.

The concert also included a setting of *Super flumina Babylonis*, more characteristic of Lalande in its expression of pathos through its dissonances and its suspensions. There was also the *Confiteor tibi*, distinguished by its magnificent central chorus, the violins floating through the ensemble at its noble climax, which Christie treated with at least all due drama, though he tended to speed through several of the numbers. As always he had some outstanding soloists, among them a remarkably secure high tenor in Jean-Paul Fouchécourt, a soprano of exceptional clarity in Sandrine Piau and another, Véronique Gens, with a real gift for shaping a telling phrase as well as beauty of tone.

If Christie's performance was the most polished and the liveliest, the previous evening's, by a group called the Chapelle Royale under the more workmanlike Philippe Herreweghe, was no less stylish. They offered the *Misere mei*, another spacious piece with an intensely expressive opening and later a poignant baritone solo (finely done by Peter Harvey), and then *Dies irae*, predictably a more dramatic work, with its exclamatory choruses, its laments, its highly chromatic "Lacrymosa", its exalted "Pie Jesu"; it is this kind of elevated music that Lalande did best.

Herreweghe came a good deal nearer to the kind of sound and approach to the music that Lalande might have recognised, even if the rhythms were sometimes rather elastic and the attack apt to be spongy. Neither this nor the Friday-evening programme, directed by the violist Jordi Savall, was at a level that would be reckoned acceptable in London early-music circles, and though the famous *De profundis* did not fail to make some of its due effect, Lalande emerged a little too palely and non-committally.

There were two other programmes of sacred music: René Jacobs singing the *Leçons de ténèbres*, concentrated and fluent, but not an ideal substitute for the intended soprano; and an exceedingly odd Mass, ascribed to Lalande, in "plainchant musical" – a French aberration of the period in which plainsong is sung to rhythms and harmonies thought to provide it with properly civilised clothing. The performance by Ensemble Organum made out a slender case for it.

Stanley Sadie

Scottish Ballet

KING'S THEATRE, EDINBURGH

The adjective most often associated with *Jardin aux Lilas*, is "Proustian." The bitter little tale it tells, however, is like a climactic scene from Henry James. One evening, amid the lilacs and the dancing, the heroine Caroline finds herself trapped by the hidden intrigues of sophisticated adult life. She decides to leave the man she loves; and then – very *Portrait of a Lady* – she discovers the man she is to marry with "an episode from his past" (still uncomfortably present). The action is set with, and against, Chausson's *Poeme* for solo violin and orchestra What's striking is how, against the lilt of the party, Tudor conveys emotion and character austerely. Stillness – a held gesture, a sudden tableau, an immobile torso – is as eloquent as motion.

It was easy to find fault on Saturday evening with the Scottish Ballet's new revival of it, as staged by Airi Hynninen. The designs, "after Hugh Stevenson" (the original), were unsubtle. The lilacs, dully drawn, were shown in close-up, and dreadfully lit (by Graham Gardner). A flower on Caroline's dress resembled an unfortunate stain. Caroline (Elspeth Shaw) had ineloquent feet and an over-animated face. The Man She Must Marry (Paul Tyers) was cold only in a weak kind of way. Her Lover (Kevin J. Horn) was ardent but prosaic. No-one showed a commanding sense of fitting Tudor to Chausson. But I spent more time admiring the ballet, still so unfamiliar to British eyes, than deploring the performance.

The new triple bill, whose centre piece this was, was called "Ballets of Love and Longing." Silly title. The prime joy of this choreography is the relish with which, to Glazounov's sumptuous score, Petipa makes classical-ballet variations on the theme of the Hungarian czardas. Galina Samsova (herself a grand Raymonda in the late 1970s with Sadler's Wells Royal Ballet) has staged this production. Petipa choreography needs academic rigour and musical flair. So far Samsova has been able to give the Scottish dancers more of the latter. But, as with *Jardin*, this ballet could present a much richer picture with new casting in a couple of seasons' time. Samsova, who is currently the company's guest director, surely knows that these ballets are investments in the future.

To say that Jiri Kylian's *Forgotten Land* is the item best served all evening is, though accurate, to say nothing. The Scottish dancers give it the same earnest care that dancers anywhere do to Kylian choreography everywhere, and that's how they look – anywhere dancers, anonymous and solemn. To Britten's *Sinfonia da Requiem*, six male-female couples move heavily from grief to transcendence. The cause of their emotion is not shown; their changes of emotion are unexplained. This is ritual Mood choreography, and Mood is almost all it takes from its Britten score. Its grey chunks of old-style modern dance are just the thing to make ballet audiences feel they're chewing something solid. And they are. Like all Kylian choreography, *Forgotten Land* is not meat but gristle.

Alastair Macaulay

ARTS GUIDE

September 21-27

THEATRE

London

Jeffrey Bernard is Unwell (Apollo). James Bolam is the alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs (437 2663).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta which is derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn. A probable, but unspectacular, hit (839 5972).

Burn This (Lyric) Blistering performances from John Malkovich and Juliet Stevenson in Lanford Wilson's play about the mismatch of opposites (437 3686).

Singer (Barbican). Anthony Sher in Peter Flannery's modern Jacobean tragedy that reflects a darkly comic view of Britain since the Second World War. (638 8891).

Shadowlands (Queen's). Weepie about the love affair between crusty Oxford writer C.S. Lewis and the cancer-riddled American poet Joy Davidman, which pushes Nigel Hawthorne and Jane Alexander into the awards stakes. William Nicholson's play is irresistibly emotional. Elijah Moshinsky's direction is superb. (734 1166/439 3849).

Absurd Person Singular (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. Moira Redmond, Richard Kane and Lavinia Bertram on fine form in a production which confirms Ayckbourn's early bleakness (071 867 1119). Extended until January.

Man of the Moment (Globe) Nigel Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipulation (437 3667).

New York

Falsettoland (Lucille Lortel). It will be known as the musical about Aids first hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (924 8782).

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this transfer from London (239 6200).

Washington

Shogun (Opera House). The $6m, Broadway-bound musical by novelist James Clavell is bound to be compared to Sondheim's *Pacific Overtures* in exploring the origins of Western-Japanese contact. Kennedy Centre (467 4600).

Playboy of the Western World (Eisenhower). Abbey Theatre company brings what the Americans want to see to confirm the view of the Irish as unscrupulous charmers. Ends Oct 21.

Chicago

The Iceman Cometh (Goodman). The Goodman opens its new season with a revival of vintage O'Neill starring film actor Brian Dennehy. Ends Nov 4 (443 3800).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Phantom of the Opera (in Japanese). This highly successful production is a carbon copy of the London original, with the added advantage that one can ignore the banal lyrics, since they are in Japanese. Shimbashi Ebujoh Theatre (797 9601).

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Wednesday September 26 1990

The palest of green

THE British government's strategy for the environment, published yesterday, would have been an excellent example of forward thinking had it appeared five years ago over the signature of, say, Mr Nicholas Ridley. In today's context it amounts to the least that could be said during the run-up to a general election. Mr Chris Patten, as secretary of state for the environment, is the minister responsible for drafting it. The strongest influences on his work appear to have been the opinion polls, which show the government far behind the opposition; the retail prices index, which is also bad news for the Conservative party; and an instinctive fear, spread among all ministers, that voters will not accept the potentially costly consequences of their professed environmental concerns.

It is therefore hardly surprising that the result is a 296-page illustrated brochure whose saving grace is that it is printed on recycled paper, and whose principal virtue is that it is comprehensive. It dwells mainly on proposals previously enacted or announced; when it comes to plans for the future the best that can be said is that it is a compendium of muted declarations of hesitant intent. Apart from an important new bill on planning, there is no new legislation in it. In advance of the conclusion of the current round of departmental negotiations on public spending there can be no new money in it. Where there are fresh policies, such as for tests of vehicle emissions, these are new to Britain, but not to many comparable countries.

Unexpected merits

Yet the document is not entirely worthless. It constitutes a floor, below which the environmental aspirations of future governments of any party are unlikely to sink. Seen thus, certain unexpected merits become perceptible. They are worth spelling out. In Mr Patten's view, Whitehall has now been greened. The government is committed to a regular state of the environment report, with statistical tables. There is to be a permanent green committee of the cabinet, chaired by the prime minister. The secretary of state for energy will chair another ministerial committee, on energy efficiency. Every department will nominate a minister responsible for environmental affairs; the chancellor of the exchequer has put forward his own name.

Solid floor of theory

The document also establishes a solid floor of theory. The existence of the "greenhouse effect" is acknowledged, and its potential for damage, which cannot yet be precisely calibrated, is recognised. "Sound science" – the principle that nothing shall be done before there is absolute proof of its necessity – is to be balanced by the "precautionary principle". An appendix on economic instruments adds weight to the paragraphs on the use of regulation, taxation, and the price mechanism to reduce emissions of noxious substances. There is a loophole allowing the chancellor to vary taxation according to the size or fuel-efficiency of cars; this is new to Britain but not to West Germany. The long-term prospect of a tax on carbon dioxide emissions is intimated, but this is specifically excluded for the next few years. There is some sense in this: what is required is an international agreement, which means that the brunt of any European country's effort must be on persuading the United States to accept limiting targets.

Similar papers published by the Dutch, the West Germans, the Scandinavians and others have listed more specific targets. The signposts to energy efficiency are derisory by Japanese standards. California is ahead of anything Whitehall yet envisages on vehicle emissions. Some of the environment secretary's nostrums, such as greater use of labelling to provide consumers with an opportunity to vote green with their purses, appear to be borrowed from Brussels, or Bonn. The high-flown language of the British paper echoes the inspirational oratory of the prime minister herself. This might have encouraged people to expect more of Mrs Margaret Thatcher's government. The protest that these are difficult times will do as an explanation, but not an excuse, for a failure of leadership.

Collision over Japanese cars

GETTING 12 European governments with sharply differing attitudes to trade to agree a common stance on as sensitive an issue as Japanese car sales was never going to be easy. But after more than a year of agonised deliberations, the European Community's internal divisions on the issue seem not only not to be narrowing appreciably, but to be growing wider.

True, the stiffening of positions over the past few weeks appears partly tactical, reflecting last-ditch efforts by France, Italy and other protectionist-minded governments to ensure that any deal negotiated with Japan by the Commission would be as restrictive as possible. But, with probably only two months left to complete the negotiations, such brinkmanship is risky. Unless the hard-liners back down, the chances of reaching an agreement will evaporate.

The political imbroglio has been further complicated by the worsening outlook for the European car market. There were signs well before the Gulf crisis that the five year boom in demand was faltering. Now higher oil prices are taking their toll on sales, particularly in southern Europe where protectionist attitudes happen to be strongest. That will make it even harder for the Commission to sell a deal which implies that almost all EC market growth this decade will go to Japanese producers.

If stalemate persists in Brussels, the Commission may need to rethink its approach. This has been based on getting Japan to agree to voluntary restraints covering exports to the EC and output from Japanese-owned "transplants" in Europe. The supposedly temporary arrangement is intended to persuade Britain, France, Italy, Portugal and Spain to lift their long-standing restrictions on Japanese car sales, these being incompatible with the planned single market, because they impede internal EC trade.

Suspect arrangement

The proposed arrangement has always looked suspect. It amounts to enlisting Japanese collusion in cartelising and segmenting the single market, by limiting deliveries to selected EC countries. That would allow Japanese car makers to fatten their margins at the expense of EC consumers, while sheltering Europe's automotive industry from the competitive stimulus needed to improve its efficiency.

Questionable legality

Furthermore, the legality of the planned restraints is questionable, all the more so as they contain at least implicit restrictions on transplant production. The Commission is well aware of this, which is why it has sought "voluntary" undertakings from Japan, rather than suggested imposing formal quotas. The danger of this informal approach is that it lacks any mechanism to ensure that restrictions will ultimately be dismantled.

The Commission has argued that if no deal were reached with Japan, protectionist-minded EC governments would maintain or even strengthen national import curbs after 1992. That possibility may soon have to be confronted. But it need not damage EC economic integration and could even benefit it, provided Brussels acts with sufficient determination.

National quotas can be maintained only by preventing trans-shipment of Japanese cars from open to more protected EC markets. Their survival depends substantially on the block exemption of car distribution from EC competition rules, which permits car makers to supply products through exclusive dealers. The Commission should be prepared to suspend the exemption, which it is due to review by 1995, in any case. It should also be ready to challenge the legality of the national quotas and crack down on governments that sought to enforce them by, for example, refusing to register Japanese cars.

The Commission's autonomous treaty powers, notably over competition policy, offer a potent weapon, which it has used to liberalise sectors like telecommunications. There is no reason to except Europe's car industry from the full impact of the single market – least of all in order to perpetuate the trade protection which has contributed much to the industry's current competitive weaknesses.

David Goodhart considers the enormous tasks ahead for the trust body charged with privatising the East German economy

The ultimate state bankruptcy hearing

Mr Detlev Rohwedder presides over the largest bankrupt holding company in the western world. The Treuhand, the trust body charged with privatising the East German economy, has in its portfolio 1.8m hectares of state-owned land, 8,000 former state-owned companies, farms, football stadiums, and most of the property belonging to the army, the political parties and the trade unions of the *ancien regime*.

A balance sheet, to be drawn up next week, will show that on the credit side the Treuhand has theoretical assets worth several hundred billion D-Marks. On the debit side stand DM 100bn of corporate debt inherited from the old days and DM 30bn of new liquidity credits acquired since monetary union on July 1.

But much of that debt will never be repaid. Only a handful of companies are profitable; about 2,000 have no chance of survival; and the wages bill for 4m workers is only being met thanks to generous supplements from Bonn.

There has been no rush of enthusiasm from West Germany or beyond to buy from the Treuhand, excepting a few dozen "pearls". Meanwhile the organisation is increasingly, and sometimes justifiably, getting blamed for compounding East Germany's difficult start in the market economy.

Fortunately Mr Rohwedder, 57, has not yet lost his dry sense of humour. Facing an angry group of local politicians last week in Greifswald, on East Germany's northern coast, he described the slight improvement in the Treuhand's own resources and organisation since he joined in June: "At least you can now ring in even if we don't have the time to ring back."

The East German-born former accountant who worked as a State Secretary in the Bonn Economics Ministry under the Social Democrat Mr Karl Schiller could not have been a better choice for what must be the most demanding management post in Europe. He won the respect of his West German business peers through restoring to health the struggling steel group Hoesch, from where he is on full-time leave at least until the end of this year. He is also a well-known figure on the international business circuit and means it when he says that East Germany must be as open to foreign as it is to West German capital.

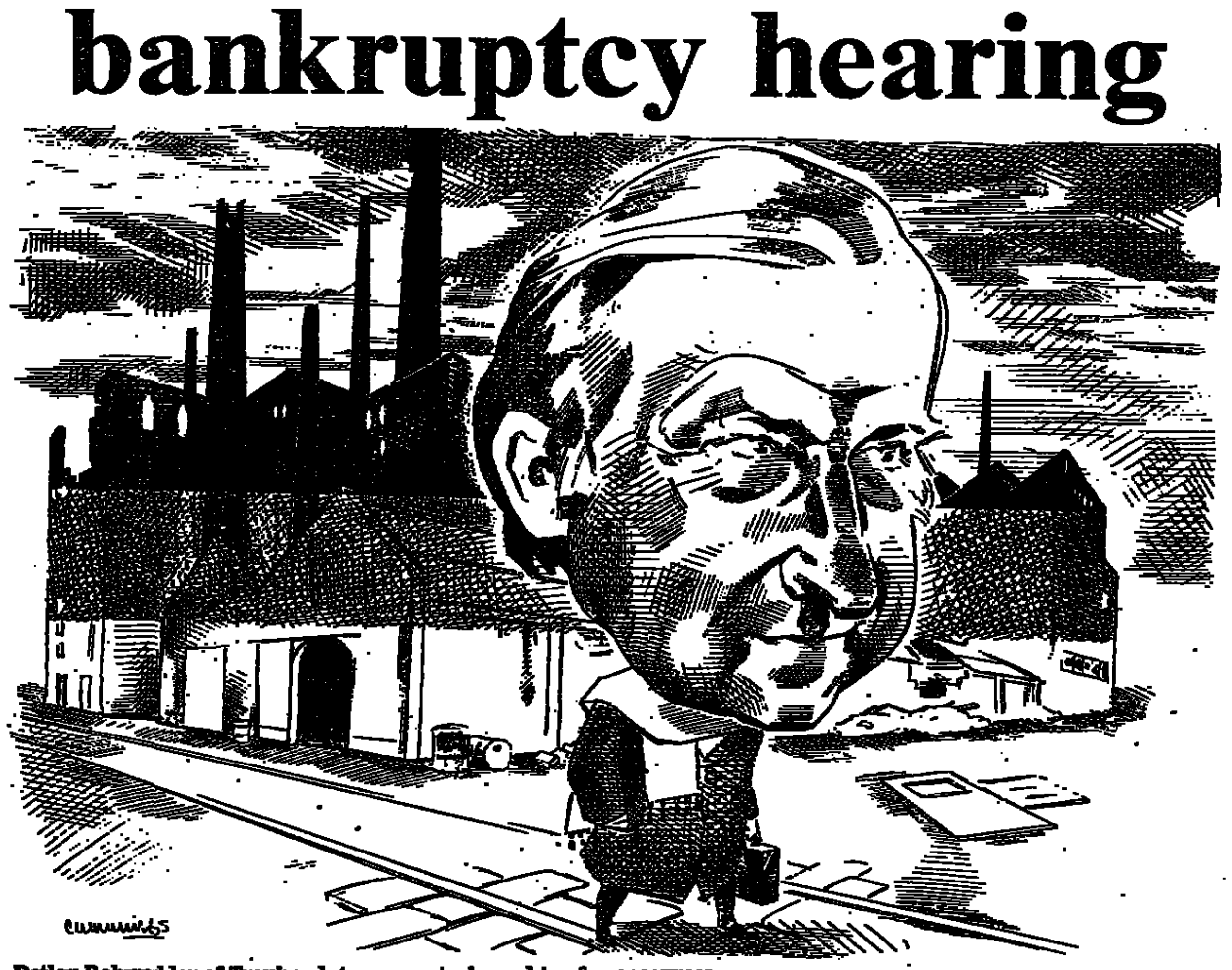
In his address in Greifswald, Mr Rohwedder began by complaining of the "unbridgeable discrepancy between the expectations invested in us and our ability to live up to them." The Treuhand, he implied, was given too many tasks before being adequately equipped with the personnel or resources to deal with them.

After the shock of monetary union it had to keep companies afloat with desperately needed liquidity credit, pick potential "winners" with its cash for restructuring projects (DM 25bn until the end of 1991), and privatise as much as possible.

For this job it had a couple of offices in East Berlin with about 50 staff, a few much smaller regional offices, and not a fax machine between them – "while Daimler-Benz has thousands of managers supervising a single investment in East Germany," said Mr Rohwedder.

Not surprisingly, the Treuhand ducked the task of deciding which companies deserved liquidity money to survive and which should die. In July and August it gave all companies about 40 per cent of what they asked for.

At this time the organisation was at least becoming westernised and moved into better-equipped offices in East Berlin's Alexanderplatz 6. Mr Rohwedder himself was appointed part-time chairman of the supervisory board in June and immediately began filling the board with West German colleagues. In July Mr Rainer Maria Gohlke, who overhauled the West



Detlev Rohwedder of Treuhand: too many tasks and too few resources

German railways, was made full-time head of the executive board.

They inherited a tainted legacy. The organisation had been established in February by the interim Modrow government but initially had neither the will nor the people to promote privatisation, seeing itself more as an instrument of industrial policy in a semi-socialist state.

There were reports of privatisation being blocked by leading communists in the organisation. But the problem, it seems, was not so much the blocking of sales but representatives of the Treuhand selling off prime assets to their friends or disregarding other principles such as the promotion of competition.

In the Schwerin office, north of Berlin, described by Mr Rohwedder as a "stinker", the head has been fired, and in others there has been some shake-out. Mr Rohwedder says the regional offices, which oversee 3,500 companies and a lot of local property, are one of his biggest headaches.

Meanwhile, the central task of privatisation has been the subject of conflicting pressures, even in the few cases where there has been strong demand. The priority of establishing a competitive market has meant not always accepting either the first or the highest offer; at the same time East German fears that assets are being sold off at knock-down prices need to be allayed.

"The Treuhand is not a bazaar. Price is not the only criterion ... we do not want giant German monopolies," says Mr Rohwedder, who was recently in Brussels for a chat with like-minded Competition Commissioner, Sir Leon Brittan.

Mr Rohwedder arrived too late to stop Deutsche Bank and Allianz from carving up the banking and insurance sectors. He has also only marginally modified the takeover of the East German electricity supply industry by the big three West German utilities.

In other cases he is actually trying to unravel deals. In the case of the sale of the East German luxury hotel chain Interhotel to the West German Steigenberger group the Treuhand complains that a deal was done behind its back.

The Treuhand has made other controversial decisions which may end up in the courts:

- The sale of the Tega group to L'Air Liquide of France, which has left the West German company Linde feeling cheated;
- Similarly, the West German cement group Alsen-Breitenberg is complaining of irregularities in the sale of East Germany's Rüdersdorfer Zement to the West German subsidiary of the British group RMC.

On most of these decisions Messrs Rohwedder and Gohlke were in full agreement. However they disagreed strongly on organisational matters, Mr Rohwedder placing more emphasis on the establishment of an unbureaucratic structure. Mr Gohlke was more interventionist and when told by Mr Rohwedder that he could not become supervisory board chairman of four big East German companies, he resigned. His departure in August was a further below to continuity and image.

Mr Rohwedder himself took over Mr Gohlke's chief executive position. He immediately scrapped a plan to establish five sector-based holding groups alongside the Treuhand and instead concentrated on building up the eight central departments: the privatisation department is led by Mr Karl Schirner, former head of business planning at Daimler-Benz, and other department heads are of equal calibre.

The Treuhand now employs about 450 in the regions and 300 in East Berlin, of whom about 50 are managers. But Mr Rohwedder complains it is difficult to persuade the best people to come and live in East Germany "especially corporate finance people".

He stoically talks about "latent" interest from investors which he hopes will pick up after October 3 (German Unity day) when the complicating legal apparatus of an independent state will no longer be a deterrent.

He already sees a growth in foreign interest "especially from the French and Japanese" and reports proudly that even the Soviet company Gazprom is now competing with French and British interests for a large stake in the East German gas industry.

At the end of October East German companies will finally produce their first D-Mark balance sheets which will improve the quality of information and stimulate lending by the banks, "although they will still not lend merely against assets," says Mr Rohwedder.

Some problems – in particular property ownership – will remain only half resolved after October 3. Businessmen who want to buy disputed property can now do so without fearing that it will later be returned to a former owner. But new hold-ups are now being created as the different public authorities – the towns, the communes, and the soon to be established states – argue among themselves about who controls what.

The Treuhand – "a parking lot for unresolved problems" as Mr Rohwedder calls it – is trying to adjudicate. It may also soon have to fight its own corner against worried politicians in Bonn when it begins large scale closures, initially in the chemical and micro-electronics industries.

The Bonn Finance Ministry, to which the Treuhand officially belongs, should be on Mr Rohwedder's side if he is saving money. Most of the proceeds from privatisation over coming years will, however, stay in East Germany to pay for cleaning up the environment – "which is certain to cost more than what we get from privatisation," he says.

It is also looks certain that the Treuhand will not wind itself up in two or three years as optimistically supposed a few months ago. "It will still be here when we are all pensioners," prophesied Mr Rohwedder.

Inquisitive and apprehensive

TWO groups of businessmen can be found in the foyer of the Treuhand offices in East Berlin – the inquisitive and the apprehensive. The inquisitive are the West Germans or foreigners sounding out the Treuhand about acquisitions. The apprehensive are the East German bosses begging for money to support their survival plans.

Accompanying one of the latter to a decisive meeting with his Treuhand masters revealed surprisingly laid-back procedures, considering the fate of 5,000 workers was being discussed. The introductions were the main exception to this rule.

It took the chairman, a member of the Treuhand executive, 10 minutes to introduce his eight-man team stretching down one side of the table and a further five minutes to introduce the five company representatives. The company's West German consultant arrived a few minutes late and the procedure was repeated.

When after half an hour the meeting got under way we received a general chat from the chairman on the strength of the Japanese competition in the company's sector. An unsolicited intervention from someone who should not have been there took us into a rambling discussion of pricing policy.

The deferential East German boss said he would have to close unless he got liquidity credits for the fourth quarter or money for his survival plan, which envisages cutting 3,000 jobs. An aide talked about the problems of the unemployed 45 to 55 year-olds. The boss threw in the exciting product they had just developed.

None of the Treuhand experts, who knew the hard data from several previous meetings, said a word. Soon it became clear why: the survival plan had been dismissed. Discussions between the company and the Treuhand's receiver will begin soon.

OBSERVER

Gone, but not lost

■ It looks as though the left has pulled a fast one on Neil Kinnock as he tries to sanitise the Labour Party to avoid scaring voters before the next election.

Socialist Organiser, a left-wing party-within-the-party comparable to Militant Tendency but less exhibitionist, is understood to have disbanded before Labour's ponderous procedures could lead to its proscription by the national executive.

Much as this may seem like Kinnock getting his way through induced suicide rather than execution, it is a smart move by the neo-Marxist activists. It means that any individuals targeted for expulsion from the party cannot be touched – they can hardly be disciplined for being members or supporters of a defunct organisation that was not proscribed when they were in it.

Lol Duffy, the Socialist Organiser standard-bearer who almost unseated Lynda Chalker, the overseas development minister, in Wallasey at the last election, will live to fight another day. Meanwhile, his small army of helpers can lie low, scattered through the party, until needed again.

It all looks like political guerrilla warfare at its most skilful, with Kinnock's enemies vanishing before he can thump them. Hard luck, Neil.

Dead cert

■ Meanwhile do not be taken in by the cuddly image of Britain's Green Party – it can be as cold and as calculating as any other.

The party has set up a parliamentary by-election guarantee fund by which local parties can insure against the cost of the deposit required should their local MP drop dead of natural causes or otherwise. Given the rash of outstanding by-elections the cost of £5.20 per party looks a bargain.

The scheme pays out £500 if a contest is called in one of the constituencies covered and then expects participants to cough up another £5.20 to keep the fund topped up. So far about 100 local parties have joined.

End of line

■ President Gorbachev's new powers look unlikely to inspire total faith in his public, according to a parable circulating in Russia.

It seems that a railway train carrying a cross-section of the populace over the virgin wastes stopped dead. There were no sleepers ("cross-ties" in America) under the rails ahead.

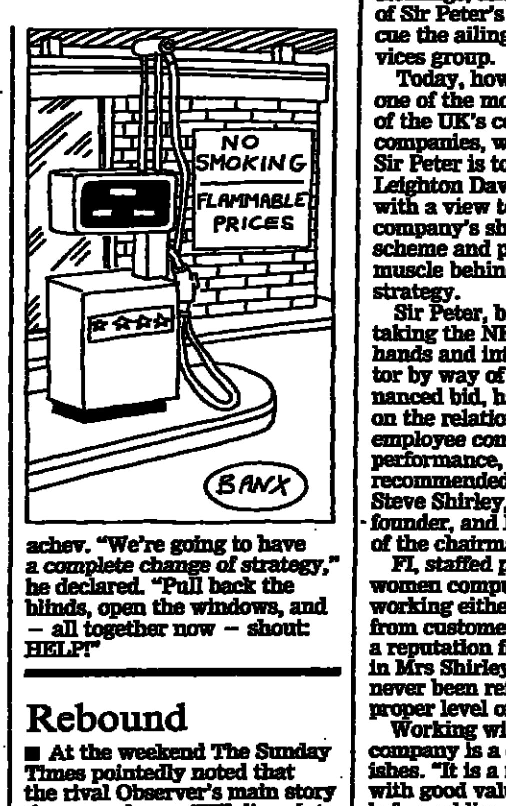
Lenin, who was driving, told the passengers they must all work together to find wood to prop up the track to bridge the gap in the sleepers. That done, the train went on only to meet the same problem again.

By then the driver was Stalin who told his bodyguards to keep shooting passengers and to use their bodies as sleepers until the track returned to normal.

When a third gap appeared, Khruschev was in control. He got the surviving travellers to bridge it by taking sleepers from behind the train and putting them in front.

Another recurrence of the problem found Brezhnev on the footplate. Calling the passengers together, he said: "Close the windows and draw the blinds, then we'll all rock from side to side as if we were moving and say 'diddleydum, diddleydee'. We'll be too busy to worry what's happening outside."

When the travellers got tired of rocking and chuntering, they looked up and saw Brezhnev had been replaced by Gorbachev. "We're going to have a complete change of strategy," he declared. "Pull back the blinds, open the windows, and – all together now – shout: HELP!"



Rebound

■ At the weekend The Sunday Times pointedly noted that the rival Observer's main story the same day – "UK dives into recession" – echoed its own "Britain hits recession" the week before.

On another page The Sunday Times printed a homily by management professor Tom Kempner on what chief executives want from managers rising through the ranks below. Its stablemate The Times had run virtually the identical article on August 23.

Trying anew

■ Sir Peter Thompson, who retires as chairman of the National Freight Corporation at the end of the year, might be forgiven for wincing at the word computer.

It was unorthodox business practices at Atlantic Computers which led to the collapse of British & Commonwealth Holdings, and with it the end of Sir Peter's attempts to rescue the ailing financial services group.

Today, however, FI Group, one of the most interesting of the UK's computing services companies, will announce that Sir Peter is to take over from Leighton Davies as chairman with a view to revitalising the company's share ownership scheme and putting some muscle behind its acquisition strategy.

Sir Peter, best known for taking the NFC out of state hands and into the private sector by way of an employee-financed bid, has strong views on the relationship between employee control and company performance, something which recommended him to Mrs Steve Shirley, FI Group founder, and led to her offer of the chairmanship.

FI, staffed principally by women computer specialists working either from home or from customers' premises, has a reputation for quality which, in Mrs Shirley's view, has never been reflected in the proper level of profitability.

Working with a software company is a challenge he relishes. "It is a nice company with good values," he said, before adding: "But I don't want anything more to do with computer-leasing companies."

Final call

■ Whitehall dithering over what to call the soon-to-be-floated area electricity companies has broken the patience of Rhodri Morgan, Labour spokesman on the privatisation scheme. First they were distribution companies (shortened to Discos), next public electricity suppliers (PESs), then apparently regional electricity companies (RECs).

So Mr Morgan has written to John Wakeham, energy secretary, suggesting he settles on distribution monopolies and licensees (Dismals).

A British industry back in the picture

Michael Skapinker examines the impact of foreign investment on television manufacturing in the UK

Mr Alan McWalter's North London office overlooks a large vacant lot. His company, Ferguson, used to have a television factory on the site, but it was closed at the end of last year and has since been demolished.

Ferguson still makes televisions at a factory in Gosport, Hampshire, and remains the leading supplier to the UK market. But Ferguson, one of the most celebrated names in UK electronics, is no longer British-owned. Thomson of France bought the company from Thorn EMI in 1987. There are now no UK-owned companies making televisions on any substantial scale.

In the years since Ferguson was sold, however, television manufacturing in the UK has prospered. Total UK output has exceeded 3m sets in each of the past three years, compared to 1.7m in 1980 and 490,000 in 1970.

In contrast to the picture in other areas of industry, Britain has a healthy trade surplus in television sets. Exports exceeded imports by £58m last year, after being in deficit for most of the 1980s. The surplus for the first six months of this year was £58m, equal to the total amount for 1989.

The reason for the renewed health of the industry is a wave of foreign investment in television manufacturing in the UK over the past 16 years, primarily by Japanese companies. With foreign companies now setting up plants in the UK making products from cars to semiconductors, the lessons of the television industry could be instructive. Although the sets made in the UK have a high level of local content, Britain appears to have been less successful than West Germany in capturing the more highly-skilled television jobs, particularly in research and development.

Although Mr McWalter, who is Ferguson's general manager, points out that the Japanese television makers benefitted from generous UK government incentives, he does not deny their achievements.

"When the Japanese came here, they brought with them TV sets that were smaller, more compact and produced less heat, which meant they were more reliable. They've not only produced good technical products, they've also started to produce aesthetically good products. I take my hat off to them. Not to all of them, but particularly to companies like Sony which have done a fantastic job," he says.

Since Sony established its factory in Bridgend, south Wales, in 1974, it has won three Queen's Awards for Export Achievement. The company expects to make 1m sets at Bridgend this year, as well as 250,000 kits which will be sent to its Stuttgart factory for assembly. It says its manufacturing output has not been affected by the current downturn in the UK economy.

Executives of European-owned electronics companies say, however, that the achievements of the UK television industry are illusory. In particular, they allege that the exported sets are not really British. The new factories are screwdriver plants, they say, assembling televisions from Japanese-made components.

The UK-based Japanese companies admit that they source their components from suppliers both outside and inside Britain. They insist, however, that their sets have a high level of European content.

Mr Tony Abbott, director of colour television operations at Sony in Bridgend, says that the sets made there are more than 90 per cent European. The cathode ray tubes, the most important components in a television set, are almost all made on site. Since last August, Sony has also been making the front glass panels of the sets at Bridgend.

Panasonic, a division of Matsushita Electric, Japan's biggest consumer electronics group, concedes that its sets are less European than Sony's. Nevertheless, Mr Colin Leahy, director of the company's plant in Cardiff, says that the 620,000 sets made there this year will have an average European content of just under 70 per cent.

'I take my hat off to the Japanese, particularly Sony, who have done a fantastic job'

Panasonic managers say there are some components which they do not buy in Europe because they cannot get the level of quality they need. Certain electronic components still come from Asia and Mr Leahy also says that he buys printed circuit boards in Japan. The Cardiff factory is undergoing an ambitious automation programme, which cannot succeed without high-quality components, he says.

Nevertheless, the level of local sourcing by Japanese companies is sufficient to satisfy industry experts like Mr Dickie Norman, chairman of the British Radio and Electronic Equipment Manufacturers Association and of the European Association of Consumer Electronics Manufacturers. Mr Norman, a former chairman of Ferguson who is now an adviser to Thomson Consumer Electronics, says: "All the major Japanese companies have a European content in colour television which, in my estimation, puts them beyond criticism."

The sceptics seem to be on firmer ground when they argue that foreign ownership has meant that the most highly skilled jobs, particularly in research and development, are generally done abroad.

Ferguson's factory in Gosport is now part of Thomson's worldwide manufacturing operation and is restricted to making small and medium-sized sets rather than the larger screen, high-technology televisions. Mr Ray Cantan, Ferguson's Gosport-based managing director, says that the factory will probably stop making small screen sets next year as these can be made more cheaply in the Far East. It will then concentrate on the middle-range sets. It will not be involved in the developments that Thomson regards as crucial to its future, such as high definition television.

Mr Cantan denies this means that Ferguson has become a technological backwater within Thomson. He points out that Gosport is now the group's worldwide centre for subscription television products like satellite decoders.

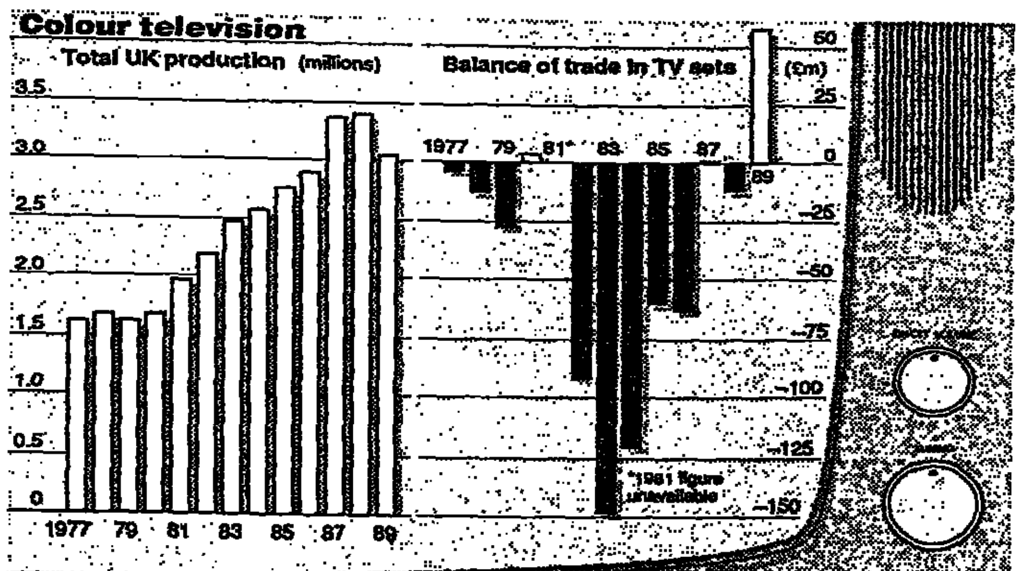
Ferguson does have a research and development centre in north London. Mr McWalter says that it has done important work on satellite television and developments like Teletext and Nicam digital stereo sound. A Ferguson manager heads research into high definition television, but that is done at Thomson's research centre in Villingen, West Germany rather than in the UK.

Although the Japanese companies have made Britain their European manufacturing base, they too appear to prefer their advanced research work to be done in West Germany or in Japan. Mr Yuzo Koyama, managing director of Matsushita Electric in the UK, says that the basic design of the company's television chassis is done in Japan. Engineers in the UK perform such tasks as ensuring that the design complies with local safety standards.

The company says the only reason it does not do more research and development in the UK is that it is difficult to find qualified staff. "We have 23 people in design at the moment in Cardiff and we're still looking for more. But it's difficult to get good quality engineers here," Mr Koyama says. The company's European research and development centre is in Munich.

Sony's Mr Abbott says, however, that there is no reason why advanced television research cannot be done in the UK. Sony's Stuttgart research centre has the advantage of being closer to the semiconductor industry, he says, but he expects Bridgend's 25-strong research and development team to increase in numbers. Among Bridgend's research achievements have been Teletext and Nicam developments and screen-based products for the travel, insurance and banking industry.

Mr Abbott says that a company's nationality is unimportant. "What matters is that it acts as a true business within its local markets." He insists that Sony fulfils that requirement.



The triumph of market economics

Concordat on capitalism

By Arthur Seldon

The European economic revolution of 1988-89 ranks with the English Revolution of 1688 and the American and French Revolutions of the 18th century as a political climacteric. The world will never be the same again. Whether old falsehoods have been discarded with open relief or bitter heart-searching, the best minds in economics, political science and philosophy are re-examining long-held propositions in the replacement of socialism by capitalism.

The collapse of communism as a creed and socialism as an economic mechanism has persuaded socialists that capitalism which maximises the market and minimises government has finally won the argument. Liberals who have upheld the market and socialists who have accepted it can now join in devising a less imperfect market capitalism.

The contrasting experience of the politicised and market-based societies of Europe, North America and the Far East suggests points from which to start the debate.

Freedom for the common people is better ensured by the economic democracy of the market on the formula of one man, one vote every day, than by the unpredictable political democracy of the ballot box franchise of one man, one vote every 1,000th day (more or less). On the other 999 days, political democracy serves politicians, bureaucrats and their clients in the organised interests of industry, the professions, the trade unions, the arts, the church.

Money-votes in the market are unequal; but so are influence-votes in the 999 days between political elections. Markets are superior because it is easier to even up money-votes than influence-votes; this is the experience of capitalist America, social democratic Europe and Australasia, the communist East, and the socialist Third World alike. "Democracy" – the "social" democracy of Sweden and probably of Poland, the "liberal" democracy of Holland or Belgium, or the "Christian" democracy of Germany and possibly of Hungary – is not enough.

Political "democracy" that takes half of personal incomes to spend on welfare or industrial services which give voters as taxpayers little say and less escape can be as oppressive as communist socialism that takes even more than half but is tempered by underground markets it cannot suppress.

After 140 years, Abraham Lincoln's "government of the people, by the people, for the people" is still an unrealised dream. In the real world, political democracy is of the activist, by the politico, for the organised: of the Busy, by the Bossy, for the Bully.

Government cannot be depended on to redress market failure. Its electoral short-termism, its ignorance of or indifference to individual preference, its vulnerability to pressure groups and its corruption create government failure that is worse than market failure because it is less corrigible.

The market incorporates more effective self-correctives than the state: it is easier to escape from commercial than from political monopoly or coercion.

The market incorporates more effective self-correctives than the state

Government cannot be made "accountable" to "participating" citizens by transforming every man and woman into a politician. The effort to validate, justify or camouflage big government by "active citizenship" is an escape from reality, since only a small minority, perhaps no more then 5 per cent, are political people. It is a prescription for consolidating inequity since it aggrandises the political people over the mass of domestic people. It prescribes a waste of human talents.

Politics is a profession; it requires specialised character, temperament, talent. Generalists unschooled in the political activity of organising, agitating, lobbying and putting pressure on politicians are induced to engage in public or backstairs politics to ensure a hearing. Government heeds "demos" more than *demos*. Democracy is degraded and downgraded.

"Active citizenship" is an invasion of personal life. To make the political life the test of "citizenship" is to jettison the classical advantages of the division of labour. Most citizens excel in buying and selling. Large numbers are better in artistic, sporting or other non-political creation. And most want to enjoy domestic life with family or friends, to care for neighbours, to serve good causes. For them "politics" is oppressive, unproductive, obtrusive or boring. It is not the source of justice but of injustice.

The power of the voter over government is indirect, remote, unsure. The power of the consumer in the market is direct, immediate and powerful.

And it can be made more so. The common people would be better empowered by the market. Government should therefore concentrate on the irreducible minimum of goods and services that cannot be supplied in the market. This is the necessary realm of the state, the essential socialism in a capitalist society.

A basic ethical requirement is a public philosophy that proclaims that man as consumer shall prevail over himself as producer; that as producer every individual shall be free to better the product of any other by competitive access to free markets; and that it is immoral for group interests to bypass the people by blackmailing government.

The poor are served better by maximising production than by equalising distribution. To maximise productivity and provide resources for people who cannot earn sufficient for independence, the market should be given its head despite short-lived abuses or excesses.

The market is the most powerful equaliser of incomes. Equity is better secured by reducing barriers to movement from low-income to higher-income occupations than by political redistribution.

Optimal size of government is unattainable. In the democratic political process the choice is between too little or too much: too little government ownership or too much; too little regulation or too much; too low taxation or too high; too high inflation or too low. The better choice is the risks of too little than of too much government.

The author is founder president of the Institute of Economic Affairs

LETTERS

It is the exchange rate that really matters

From Mr Andrew Cook.

Sir, The CBI's report ("Company confidence lowest for eight years," September 24) misdirects the blame for the current direction of British manufacturing industry. When will the government and the CBI realise that a percentage point here or there on interest rates has virtually no effect on manufacturers' plans or activity levels? It is the exchange rate that really matters.

We industrialists look for a three to four-year payback on our investments and therefore, if an investment is right at 10 per cent interest, it is still right at 15 per cent. The difference in the cost of the borrowing is not sufficient to invalidate a sound strategic investment decision. However, no investment will be made, whatever interest rates are, if there are no orders. With the pound at its present level against the dollar, lack of orders for British manufacturers is the real problem.

I believe that most industrialists would agree that the US is the biggest single overseas market for this country's manufactured goods. It certainly is for us and our customers, all of them makers of capital equipment. We can do business profitably at $1.60 to the pound, we can manage, just, at $1.70, but above that business evaporates. At the current $1.85 to $1.90 rate the US has virtually become a no-go area.

The relevance of the sterling rate against the European currencies is principally that the higher the pound the easier it is for our often-subsidised European competitor to pinch orders in our own domestic market. This is something which, because of national prejudices, subsidies and other policies designed to favour the European domestic producers, we are unable to do in reverse.

The government's first priority should be to get the pound down to more sensible levels against the dollar and the European currencies. Unless this happens there will be no manufacturing industry left.

Andrew Cook
chairman,
William Cook,
Parkway Avenue,
Sheffield

From Professor Amin Rajan.

Sir, Charles Leadbeater's analogy of British industry travelling along a cliffside road is apt, as is his view that it is heading towards the edge ("UK plc takes a turn for the worse," September 22).

It is hard to believe that the same industry is supposed to have undergone an industrial renaissance in the past decade. The current abysmal performance on trade, inflation and interest rate makes me wonder whether we have talked ourselves into an economic miracle which looks more like a mirage with every fresh batch of statistics.

So far, the supply-side gains have been mainly evident through avaricious people making a lot of money using their privileged positions. If the enterprise culture has really flourished, then why is it taking so long to show in the indicators of economic performance?

The current ills of the British economy are only partly cyclical. The labour shake-out in the 1980s improved productivity on a once-and-for-all basis. But it has yet to form the basis of a sustained growth in productivity: an average Dutch worker still has a 40 per cent productivity advantage over his British counterpart.

This gap aside, British industry has yet to show professionalism in the way it trains, motivates and deploys its leaner workforce. Its preference for mergers and acquisitions as a vehicle for growth is indicative of its reliance on quick-fix for everything that matters on the supply-side.

The real problem of UK plc is twofold. First, it lacks a growing body of entrepreneurs with economic and social fire in their bellies. Second, we have yet to generate consensus at the workplace or in the wider community on its social goals. The current emphasis on enlightened self-interest will only produce more Guinness-type situations. It also needs a social purpose.

Amin Rajan
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Software copyright and the EC

From Mr Andrew Goltz.

Sir, Mr Cleaver, writing about the European Commission's proposed directive on software copyright (Letters, September 17), states that IBM responds immediately to all requests for information necessary for users to attach products to IBM computers.

However, as many users know, large computer manufacturers are sometimes diffident in providing interface specifications. When it comes to publishing such information manufacturers often adopt different policies for the attachment of: third party application software (usually encouraged); other manufacturer's computer systems (tolerated) and third party peripherals (discouraged).

While open systems should in theory, provide "the best guarantee of the ability to attach", in practice manufacturers can design their proprietary interfaces to work more efficiently than those which they have built using open protocols. Without reverse engineering techniques it is difficult to by-pass such artificial performance bottlenecks.

Mr Cleaver concedes that sometimes reverse engineering may be required to effect an attachment but argues that "fair use" (or, as it is known in the UK "far dealing") is a good basis for defining the scope of permissible reverse analysis. Fair dealing is a flexible doctrine originally created and currently administered by common law judges. There are only two common law countries in the European Community (UK and Ireland). The remainder are civil law countries where a flexible concept like fair dealing is unfamiliar and essentially unworkable. Furthermore, fair dealing is a doctrine of general copyright law developed with respect to traditional literary works.

The need to conduct reverse analysis is often essential to understand the ideas underlying a computer programme (whereas, in contrast, the ideas underlying a traditional literary work can be studied simply by reading it). Therefore, it is critically important that the terms of the directive be drafted specifically in the context of computer programmes.

I believe the inclusion of a specific provision dealing with reverse analysis is the best approach. The European Parliament apparently agrees, as it adopted just such a provision on July 11.

Andrew Goltz,
information technology development manager,
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Basingstoke, Hampshire

The blame for unemployment

From Mr Peter Robinson.

Sir, Mr Peter Ashby (Letters, September 24) attempts to explain long-term unemployment in terms of the personal deficiencies of the growing underclass of long-term unemployed people. I am in strong disagreement.

Both unemployment and long-term unemployment rose sharply in the early 1980s as the result of deep recession. In the late 1980s unemployment fell as a result of a boom and, on official figures, long-term unemployment fell faster than average. Although some of the fall can probably be attributed to Restart and similar programmes, the bulk reflected genuine job creation.

This rapid fall in long-term unemployment casts serious doubt on the theory popular in the mid-1980s, and still popular with Mr Ashby, that the long-term unemployed have little chance of participating in the conventional labour market without special help and some coercion.

Large-scale systematic surveys of long-term unemployed people do not paint as dire a portrait of this group as Mr Ashby's small-scale non-representative dialogues.

Both unemployment and long-term unemployment will again be rising sharply over the next year or two. Once again the motivation and personal qualities of unemployed people will be called into question, but of course the real reason for their predicament will be the coming recession.

We should stop blaming individual unemployed people for the failure of government, trade unions and employers to tackle those constraints, and especially that of the wage price spiral, which makes steady growth and adequate job creation impossible.

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FINANCIAL TIMES
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US economic growth slows sharply

By Peter Riddell, US Editor, in Washington

THE US economy slowed to a virtual halt during the summer, with revised Commerce Department figures showing growth down to an annual 0.4 per cent in the April-to-June period.

This compares with an earlier estimate of 1.2 per cent expansion in gross national product and reflects lower income from foreign trade in services and investments and a smaller rise in business stocks.

Despite the almost negligible growth figure,
Mr John Taylor, a member of the president's council of economic advisers, said the administration was not forecasting a recession.

He acknowledged that higher oil prices would cut likely growth by roughly a half from the 2.2 and 2.9 per cent rates for 1990 and 1991 respectively forecast by the administration in July. But there would still be expansion and the economy was expected to rebound during next year to resume a long-term growth path of around 3 per cent.

Mr Taylor's assessment is more optimistic than many business economists who have shifted to expecting a mild recession this winter.

The caution of the Federal Reserve in responding to these further signs of slowdown was underlined yesterday by Mr Wayne Angell, a Fed governor who has recently taken a tough anti-inflation line on its policymaking Open Market Committee.

He warned against any premature cut in US interest rates: "Attempting through an easing of policy to somehow avoid or postpone the implied real adjustments of the oil shock would only undermine the credibility of policy and lead to potentially more severe adjustments over the longer run."

Mr Angell warned that if the Fed attempted to increased activity without progress on inflation, longer-term interest rates could rise.

Mr Alan Greenspan, the Fed chairman, last week tied any easing of monetary policy to the outcome of the budget summit on reducing the Federal deficit. But bankers and European financial officials in Washington for the International Monetary Fund and World Bank meetings believe, and hope, that any reduction in US rates will be small in view of the need to maintain the credibility of a tough anti-inflation policy.

The general view is that the Fed will follow, rather than lead, the market. Mr Angell said: "Should a budget agreement lead to lower market interest rates, the Federal Reserve would likely not want to curtail such declines; in the face of falling interest rates, it would not be desirable for the Federal Reserve to hold up the short end of the market."

There is no sign of an early budget deal and both the White House and Congressional leaders are preparing for across-the-board spending cuts of up to $105bn which will otherwise be triggered next Monday under the Gramm-Rudman deficit reduction law. Proposals delaying the cuts until October 20 advanced through the House of Representatives yesterday, although the White House confirmed that President Bush was being advised to veto any such legislation.

However, a formal forecast of two successive quarters of expansion of less than 1 per cent would allow the administration to seek the suspension of the Gramm-Rudman law.

UK unveils policy for environment

By John Hunt and David Thomas in London

NEW TAXES to deter the use of gas-guzzling cars, coupled with programmes to encourage the efficient use of energy and the protection of the British countryside, were unveiled yesterday in the government's policy document on the environment.

The paper is the most comprehensive official document ever published on the environment in Britain and the culmination of the government's attempt to set the environmental agenda until the turn of the century.

It ranges from global warming, land use and countryside planning, energy and transport, control of industrial pollution, to recycling and noise control.

Most decisions, however, which would require legislation or could increase inflation have been deferred until after the next general election.

Mr Chris Patten, environment secretary, introducing the policy document, said it contained 350 initiatives "ranging from the street corner to the stratosphere".

Environmental groups responded coolly, saying that most of the initiatives it contained were not firm commitments or had already been announced.

Lord Melchett, executive director of Greenpeace, said the paper dodged important issues and was worse than he had feared. Mr David Gee, director of Friends of the Earth, expressed disappointment that there were no firm timetables for fuel and vehicle efficiency.

Taxes to raise the price of energy, widely regarded as one of the most effective ways of tackling environmental problems such as global warming, will not be introduced "in the next few years", the policy document says.

Ministers are understood to have been concerned about the impact of energy taxes both on the inflation rate and on the forthcoming privatisation of the electricity supply industry.

An exception is made in the case of transport, where the document says that further taxes on fuel or vehicles may be needed to encourage the use of fuel-efficient cars.

Transport 2000, the environmental group, welcomed some proposals such as "greening" the MoT test, but said the failure to tackle traffic growth rendered the other measures worthless.

The policy document announces several measures designed to increase the pressure for improved environmental policies throughout all government departments.

A cabinet committee chaired by the prime minister will continue to oversee the implementation of environmental policy; a minister responsible for environmental issues will be appointed in each Government department; a new ministerial committee under Mr John Wakeham, energy secretary, to oversee policies on energy conservation; and regular statistical reports on the UK environment are to be published.

A programme to encourage energy efficiency in buildings and in domestic appliances is outlined to deliver the UK's target of curbing emissions of carbon dioxide, the main greenhouse gas, to 1990 levels by the year 2005.

The document announces targets for a tenfold increase in renewable energy projects, such as electricity from wind and waste burning, by the end of the century.

The Government wants 25 per cent of household waste to be recycled by the year 2000.

Details, Page 10, Editorial Comment, Page 18.

Politics govern make-up of British plans

By Philip Stephens, Political Editor, in London

INTENSE political battles lay behind the shaping of Britain's legislative plans for the environment, announced yesterday.

In spite of the claim by Mr Chris Patten, environment secretary, that the final product represented an unprecedented co-operative effort by government departments, he fought a number of battles against Mrs Margaret Thatcher, the prime minister, and other departments.

The consensus among his colleagues yesterday was that he could claim an honourable draw.

The radical solutions he favoured when he first announced plans a year ago ran into a stream of objections from the Whitehall bureaucracy, his colleagues, and Mrs Thatcher.

Mr John Major, Chancellor of the Exchequer, was persuaded by the Treasury establishment that he should not concede an inch in terms of his authority over tax policy.

In parallel, the Treasury's preoccupation with the retail price index meant that Mr Major threw his full weight behind objections to any measures that would push up the inflation rate or involve significant new commitments to public spending.

Mr John Wakeham, energy secretary, was concerned to rescue the privatisation of the electricity industry. If the sale were to be successful the government had to give a categorical assurance that for the next three years at least it would not introduce an energy or "carbon" tax.

Mr Cecil Parkinson, transport secretary, last year won extra cash from the Treasury for a greatly expanded roads programme. He was determined that that success should not be thrown away by an attempt to force drivers off the road.

Whitehall insiders say the most important role was exercised by Mrs Thatcher.

On one level, she was persuaded that the taxes and other market-based incentives proposed by Mr Patten would severely damage her already fragile prospect of winning a fourth term in office.

As one minister put it: "She knows that this will be the toughest election since 1979. She is not about to make it harder by promising to hit car owners and to put up the price of heating."

On another level, Mrs Thatcher recoiled instinctively from some suggestions of tighter regulation and increased state intervention. Her hand is seen clearly in such phrases as "wide car ownership is an important aspect of freedom and choice".

If Mr Patten had to trim his ambitions, however, colleagues were acknowledging that he had changed the terms of the environment debate. His initiatives marked an explicit acknowledgment by the government that it had a role in environmental policy which it had previously rejected.

Saunders will not face second Guinness prosecution

By Robert Rice, Legal Correspondent, in London

MR Ernest Saunders, the former chairman and chief executive of Guinness, the UK drinks group, will not face trial in the second part of the Guinness prosecution due to begin in January.

Last month, Mr Saunders was jailed for five years for his part in the illegal share support operation mounted during the 1986 Guinness takeover battle for Distillers.

The announcement came after Mr Justice Henry had fined the fourth Guinness defendant, Sir Jack Lyons, £3m ($5.6m) for his part in the affair.

Following the sentence, counsel for the Serious Fraud Office said the prosecution had come to the conclusion that "no public interest would be served by proceeding against Mr Saunders on the remaining charges in a second trial."

The remaining 14 counts to which Mr Saunders has pleaded not guilty were not materially different from those of which he had been found guilty in the first trial and for which he had already been punished, counsel said.

After the hearing, Mr Saunders' son James said he was "glad it was over", but added: "Don't expect me to be grateful because he is not going to be tried for something which he shouldn't have been on trial for in the first place."

Sentencing Sir Jack, 74, after a three-hour hearing during which the judge heard of the millionaire financier's previous good character, philanthropy and poor health, Mr Justice Henry said: "Let me say at once I am not going to send you to prison, simply and solely because of the risk to your life that would involve and because I have decided that justice in these exceptional circumstances can be met by a massive fine."

Sentencing of Sir Jack had been postponed from August 28 because he had to undergo an operation on a tumour.

Mr Justice Henry said the dishonesty of Sir Jack's conduct was such that even given his previous good character he would have imposed a three-year jail sentence on him.

Even taking account of his age, ill-health and the giving of his time to charitable causes and the arts, he would have passed a six-month custodial sentence on him and imposed a heavy fine, the judge said.

In the end, however, he had been persuaded by the doctors' evidence that even a short custodial sentence would pose too great a risk to his health.

He fined Sir Jack £250,000 for each of the six counts of conspiracy, false accounting and theft on which he had been convicted and ordered him to pay £440,000 towards the prosecution's costs.

The fine was less than the £5m imposed on Mr Gerald Ronson, the judge said, because although Sir Jack had been closer to the centre of events than the Heron Group chairman, and although a wealthy man, he was not as wealthy as Mr Ronson.

Mr Justice Henry also explained why he had not made any order under the 1986 Company Directors Disqualification Act banning any of the four defendants from serving as company directors in future.

In Mr Saunders' case he had run Guinness properly until the Distillers battle and was not likely to be in a position of similar temptation in a contested takeover again.

Mr Ronson had run Heron properly and it would not be appropriate to make an order in his case, the judge said.

Mr Anthony Parnes, a City stockbroker, was broadly in business on his own and the act was not relevant to him, the judge said, while Sir Jack's business dealings were almost entirely in financial management and there had been no complaint about his management of individual portfolios.

Together, the four Guinness defendants were convicted on 28 counts of false accounting conspiracy and theft.

Mr Ronson, jailed for a year and fined £5m, Mr Parnes, jailed for 2½ years and Mr Saunders, are all serving their sentences at Ford Open Prison, West Sussex. All three have announced their intention to appeal both against conviction and sentence.

THE LEX COLUMN

The sound of music on Wall Street

Remember the bull market? It was just like old times again on Wall Street yesterday; all it needed was the whiff of a cash-rich Japanese predator ready to bet mega-dollars on a tired old takeover target and the shares of MCA jumped by two-thirds in the first two hours' trading. After all, had not its more go-ahead rival Sony signalled the low point of the 1987 market crash by scooping up CBS Records at 20 times earnings? If Matsushita really is going to pay 30 times earnings in a deal more than three times as big as CBS/Sony, perhaps Wall Street is cheaper than it looks.

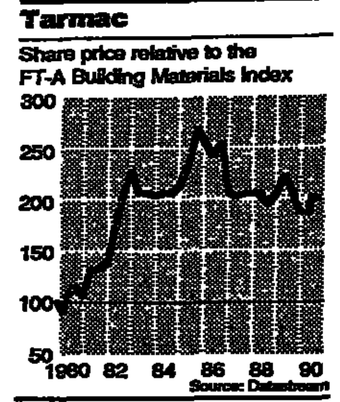
There is a certain attractiveness about this line of argument. Unlike some Japanese acquisitions, such as Bridgestone's $2.6bn purchase of Firestone, the CBS deal was very good for Sony, triggering a re-rating of its shares. Like Sony's, Matsushita's consumer electronics business needs access to US entertainment software. But unlike Sony, Matsushita can finance the deal out of its not so petty cash mountain.

However, it would be dangerous to belabour the similarities. MCA has a lot more extra baggage which Matsushita would probably have to shed, the stock market is still a third higher than it was back in 1987 and the US is on the edge of a recession. Finally, even Japanese investors might be a little concerned about dilution when the Matsushita group is selling on less than 14 times earnings.

Tarmac

Tarmac

Share price relative to the FT-A Building Materials Index



Tarmac is very big, very rich, and a pillar of the British establishment. So it must be judged by the highest standards, which means comparing it not just to other UK construction stocks, but to the likes of Hanson and RTZ, or foreign rivals like Lafarge Coppée. Ten months on from Tarmac's November 1989 profits warning, which was prompted by the UK's housebuilding slump, there is a temptation to blame its poor first-half figures on the familiar culprit, high sterling interest rates. That would be too generous to Tarmac, which in the mid-1980s tied its fortunes too tightly to UK housing. Tarmac is reaping the consequences now.

Driven by housebuilding, Tarmac's taxable profits went roaring up by 30-per cent plus each year from 1985 to 1989. But Tarmac became a huge cash-consumer, and its net debt has roared up too, to a probable £560m at the end of 1990. Now, little is going right operationally; but the tax and interest bills are catching up with Tarmac, and squeezing cash flow and the scope for dividends. With pre-tax profits down more than a third in the six months to June 30, the near-term outlook for Tarmac's housing division is still poor; the black-top business is up against harsh price competition; Tarmac America faces a deteriorating second half; and after spending £40m on a new super-quarry, the quarrying division's margins are falling sharply.

Tarmac will recover at some point, of course: the one thing you can say with confidence is that its housebuilding profits in 1992 will be a lot better than 1990's. But Tarmac's management has no room for complacency when its stock market value is £1.4bn, and its quarries alone are worth £886m.

Elders

The A$1.3bn net loss recorded by Elders IXL for the full year is a gruesome memorial to Mr John Elliott's strategic thinking. But the results confirm the impression of a decent brewing business trying to free itself from a weight of rubbish. Net of provisions, the pre-tax figure of $416m from brewing is 4 per cent up on the year before. For the group as a whole, interest cover — leaving aside the finance business — is still a healthy 3.7 times.

But, as always, the problem lies not with Elders itself but with Harlin, the debt-crippled vehicle through which Mr Elliott and friends control 35 per cent of the company. The good news in yesterday's announcement was therefore the passing of Elders' final dividend, suggesting that Mr Elliott's power to extract money from the company is on the wane. For Elders' shareholders, the risk remains that Harlin's remaining stake could be forced onto the market; but the cash Harlin will raise from selling part of its holding to Asahi of Japan will doubtless ease the strain.

Meanwhile, Elders is stuck with two of the least promising parts of the Elliott legacy – the hard-hit pastoral business and the remains of the finance division. The latter has reduced its assets from $A5.9bn to A$2.7bn in the course of the year; it remains to be seen whether the best bits have been sold first. But taken as a pure brewing business, Elders might be worth the A$1.40 the shares fell to yesterday. Asahi, of course, paid A$2.15 ten days ago; but that is the price of strategic thinking.

Polly Peck

By declining to send inspectors into Polly Peck right away, the DTI has neatly lobbed the ball back into Polly Peck's court. If it wants an investigation of its affairs, it will have to give the DTI good reason why. Whether the DTI intends it or not, its letter puts more pressure on Polly Peck's board, which is no bad thing, given the way the board has been dragging its feet over making a statement to the Stock Exchange. A DTI investigation is the right thing in the end, but there is no reason why it should put itself out to order one until Polly Peck starts telling the world what on earth has been going on.

Blackwood Hodge

When a six-year-old company shows a profit bar chart reaching for the skies and then refuses to help with the numbers for 1991 and 1992, one has to be rather suspicious. When it proposes to issue more than a third more shares to buy a problem company operating in huge overseas markets where it is not represented, then one gets to be downright sceptical.

BM's record to date cannot be faulted, but in Blackwood Hodge it is buying a company twice its size whose problems have ruined many a management reputation. The scope for solving Blackwood's tax problems is undeniable and BM has proved that it can make substantial savings from squeezing working capital. However, it is facing a severe global industry downturn, with an interest cover of 3.6 times, and ambitious plans to increase market share. This is one for the venture capitalists.

Russian gatecrasher

Continued from Page 1

alarmed by the ignorance of the free market. The fact that the discussion had turned substantive was, therefore, a welcome sign, Mr Soros said.

However, the trace of disappointment in Mr Yavlinsky's voice suggests that he and his colleagues remain dissatisfied with the US response. "We want moral support," said one.

The administration has little stomach for speaking out in favour of the Shatalin plan for fear of being accused of meddling in internal Soviet affairs and undermining, God heaven forbid, Mr Gorbachev.

Even more disappointing, US officials told Mr Yavlinsky that there would be no direct US financial assistance or even most-favoured-nation status for Moscow until the Soviet emigration code is liberalised in law.

This is a blow because western financial experts have calculated that the Shatalin plan will require substantial external assistance to help cushion the Soviet people against the effects of freeing prices.

The gatecrashers are, therefore, more than a little bewildered and frustrated. After all, their very presence in Washington, competing for attention alongside the official Soviet delegation, suggests that something profound has happened.

Alcoa and Kobe sign joint venture pact

By Robert Thomson in Tokyo

ALCOA, the US aluminium company, and Kobe Steel, the Japanese metals producer, yesterday announced a joint venture agreement to produce aluminium can stock in Japan and to develop aluminium products for the automotive industry.

Aluminium has been a sensitive trade issue between the US and Japan, and Mr Paul O'Neill, Alcoa's chairman, said the agreements were "good for both of our companies and good for both of our countries".

The companies have agreed to establish a 50-50 joint venture company, KSL Alcoa Aluminium, capitalised at Y10bn ($72.5m), which will manufacture and market aluminium can stock from ingots supplied by Alcoa and then processed into hot coils by Kobe Steel.

Alcoa will provide the chairman for the new company and Kobe Steel the president, while the capacity of the plant, to be built adjacent to the Japanese company's facility in Tochigi, near Tokyo, is expected to be 180,000 tonnes annually. The output will be sold in Japan and other Asian markets.

Mr O'Neill said that the Kobe Steel alliance allows his company "to participate more fully in the Japanese market for can sheet", which is expected to grow as aluminium increases its 35 per cent share of the beverage can market. About 95 per cent of US beverage cans are made of aluminium.

The joint production venture is the second for Alcoa in Japan, but company officials yesterday did not want to talk about its unsuccessful partnership with Furukawa Electric in an aluminium rolling project, from which the US company withdrew in 1985.

Mr O'Neill said that "for leading companies to survive in the world market in the next century, it will be necessary to have the kind of partnership" that Alcoa has fashioned with Kobe Steel during the past two years of negotiations.

"In the future, you will see the same thing in Europe. In the world market, you will have to have a relationship with a responsible company and make the products in the country," he said.

Under a separate agreement, the companies will consider the potential for a joint venture to manufacture aluminium products for the Japanese and US automotive industries, and they will research new applications for aluminium in the motor and other industries.

UN 'has right to use force'

Continued from Page 1

carry out its functions under the UN Charter "without substantive recommendations from this body", he said.

The Soviet Union was prepared to assign military contingents to serve under the authority of the Council, Mr Shevardnadze said. If appropriate agreements had already been concluded between the Council and its permanent members, there would now be no need for individual states to act unilaterally.

It is clear that other members of the Security Council, such as the US and the UK, do not share Mr Shevardnadze's views on the reactivation of the Military Staff Committee. Having contributed something like 90 per cent of the international forces in the Gulf region, the US, in particular, is anxious to retain the command of its own national forces.

Mr Shevardnadze also made several other proposals to enhance international action in preserving world peace, including the international registration of certain types of armaments that countries produce or acquire. The Geneva Conference on Disarmament should also be asked to work out proposals on the principles governing the sale and supply of arms, which would then be submitted to the next session of the UN General Assembly.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	23	75	Berlin	F	12	55	Caracas	C	29	84	Faro	S	22	72	Islamabad	C	27	81
Algiers	F	21	70	Biarritz	F	18	65	Casablanca	C	23	75	Florence	S	23	75	Istanbul	S	25	77
Amsterdam	S	15	59	Bombay	Dr	27	81	Chicago	S	12	54	Frankfurt	R	13	57	Jakarta	F	32	90
Athens	S	29	84	Bordeaux	S	19	66	Cologne	R	11	52	Geneva	S	17	63	Jersey	F	15	59
Bahrain	S	33	93	Boulogne	F	16	61	Copenhagen	R	8	46	Gibraltar	F	22	72	Johannesburg	S	23	75
Bangkok	F	32	90	Brussels	C	12	55	Corfu	S	26	79	Glasgow	F	12	55	Lima	C	16	61
Barcelona	R	17	64	Budapest	S	17	64	Dallas	S	16	61	Helsinki	C	7	45	Lisbon	F	22	72
Beirut	–	–	–	Buenos Aires	F	17	64	Dublin	F	13	57	Hong Kong	C	30	86	London	C	13	57
Belfast	S	12	55	Cairo	S	31	88	Dubrovnik	S	25	77	Innsbruck	F	16	61	Los Angeles	S	17	63
Belgrade	S	20	68	Cape Town	S	22	72	Edinburgh	C	12	54	Inverness	F	11	52	Luxembourg	C	12	54

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	C	22	72	Milan	F	16	61	Nicosia	S	26	79	Salzburg	C	16	61	Tenerife	F	26	79
Madrid	F	19	66	Montreal	C	12	55	Oporto	C	20	68	San Francisco	C	17	63	Tokyo	C	27	82
Majorca	S	29	84	Moscow	C	7	45	Oslo	C	8	46	Seoul	S	25	77	Toronto	F	12	55
Malaga	F	22	73	Munich	F	13	57	Paris	F	16	61	Singapore	–	–	–	Tunis	S	36	97
Malta	S	32	90	Nairobi	–	–	–	Peking	C	20	68	Stockholm	R	6	43	Valencia	R	20	68
Manchester	F	12	55	Naples	S	25	77	Prague	F	12	54	Strasbourg	F	16	61	Venice	F	21	70
Manila	C	32	91	Nassau	C	31	88	Reykjavik	C	7	45	Sydney	S	23	73	Vienna	F	17	63
Melbourne	R	16	61	New Delhi	F	28	84	Rhodes	S	27	81	Taipei	R	27	82	Warsaw	C	15	59
Mexico City	C	22	73	New York	S	13	57	Rio de Janeiro	C	25	77	Tangier	F	25	77	Washington	S	11	52
Miami	–	–	–	Nice	S	21	70	Rome	S	22	73	Tel Aviv	F	27	81	Zurich	F	15	59

Temperatures at midday yesterday C—Cloudy Dr—Drizzle F—Fair Fg—Fog H—Hail R—Rain S—Sunny Sl—Sleet Sn—Snow T—Thunder

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INSIDE

Crisis puts top oil groups on the spot

Oil price
Brent spot ($/barrel)

The big international oil companies are enjoying increased profits as a result of the Gulf crisis. This week's rise to yet new heights will give their profits a further fillip. How much profits will rise depends largely on how long oil prices remain high, but the big companies will be winners, although in different ways. Page 24

About face on buy-back

On Monday morning the Amsterdam bourse woke up to some unsettling news. Rodamco, the large Dutch property investment fund, announced that it was suspending its traditional policy of buying back shares when asked to do so by investors. Rodamco's sudden switch had a knock-on effect on the Dutch property sector. Following the bourse's decision to suspend the company's shares for two days, trading in at least two other funds was also temporarily halted. Page 22

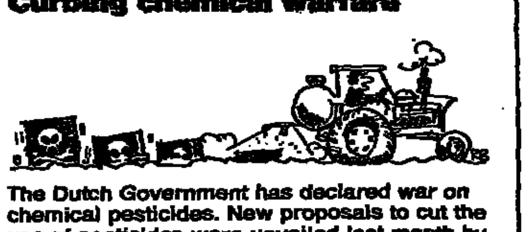
Fashioning a compromise

Couturier Loris Azzaro, whose slinky evening dresses have adorned the likes of Sophia Loren and Tina Turner (left), is back in the driving seat. After 18 months of squabbling with Maurer und Wirtz, the German shareholders in his company Loris Azzaro, a compromise was agreed which will give him control of the fashion side of the business. The German chemicals group becomes the outright owner of the Loris Azzaro perfume brand name. George Graham reports. Page 22

Property for life

Scottish Widows Fund is getting into the property business. The large mutual life assurance group yesterday made a £48.3m ($91m) cash offer for Connell, the estate agency chain. The deal will give Scottish Widows, until now one of the few large insurance groups without an estate agency operation, a network of 112 residential agencies and 19 provincial commercial offices. David Barchard reports. Page 28

Curbing chemical warfare



The Dutch Government has declared war on chemical pesticides. New proposals to cut the use of pesticides were unveiled last month by the agriculture ministry and are regarded as the strictest in the world. They will bring far-reaching changes to Dutch farms. Ronald van de Krol looks at the lessons to be learned from organic farmers and the implications for Dutch agriculture. Page 31

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Valeo	307	+	9
Falls				*Falls*			
Bayer	200.5	−	11.6	Dumez	583	−	25
BMW	390	−	30.5	Essilor	280	−	20
Daimler-Benz	578	−	38	L'Oreal	428	−	19
Nixdorf	230.2	−	28.3	Schneider	654	−	23
Sud-Chemie	560	−	146	**TOKYO (Yen)**			
V.E.W.	207	−	10	*Rises*			
NEW YORK ($)				Nippon Felt	1900	+	190
Rises				Nittetsu Mng.	2100	+	220
Am. Brands	67½	+	1¼	Topre	1920	+	210
DeSoto	41⅞	+	½	*Falls*			
Gen. Electric	55	+	½	Fujitsu Denso	1400	−	200
MCA	56⅝	+	22⅛	Mitsui Taiyo	1200	−	130
Paramount	34	+	2⅜	Toyo Eng.	1070	−	130
Philip Morris	44⅜	+	½				
PARIS (FFr)							
Rises							
Colas	336	+	12				

New York prices at 12.30.

LONDON (Pence)				Sedgwick	177	+	9
Rises				TSB	123	+	5
BM Grp.	228	+	16	*Falls*			
B'wood Hodge	31	+	10	CPU Computers	6	−	9
Brent Walker	137	+	18	Ebon	56	−	5
Connell	188	+	53	Eurocopy	198	−	8
Cookson	84	+	5	Goode Durrant	90	−	9
Egerton Tst.	41	+	9	PFG Hodgson	137	−	13
Estates & Gen.	130	+	25	Tiphook	343	−	21
Kwik-Fit	69	+	11	WPP	415	−	29
Mountleigh	66	+	8				
Premier Cons.	87½	+	5½				
Rutland Tst.	16	+	6				

Elders' A$1.3bn loss is Australia's biggest

By Kevin Brown in Sydney

ELDERS IXL, Mr John Elliott's troubled brewing, farming and finance conglomerate, yesterday announced a loss of A$1.3bn ($1.5bn) for the year to June 30, after writing off A$1.64bn in abnormal and extraordinary losses.

The result was Australia's biggest loss yet after including abnormal and extraordinary items, and far exceeded market expectations.

The board said it intended to press ahead with plans to dispose of non-core assets in order to restructure the group around its brewing interests, which include leading Australian brands such as Fosters Lager.

However, the directors said they had decided to pass the final dividend and cancel a planned capital distribution to shareholders because of the slow progress of the restructuring proposals.

The decision is likely to worsen the financial problems of Harlin Holdings, the privately-owned company controlled by Mr Elliott, which owns 56 per cent of Elders.

Harlin is dependent on returns from Elders to service around A$3.6bn in debt acquired to finance the purchase of its controlling stake. Harlin recently proposed the sale of 20 per cent of Elders to Asahi Breweries of Japan for A$960m, but may not be able to service the remaining debt without income from Elders.

Excluding extraordinary losses, Elders reported net profits of A$132m, struck after abnormal items of A$208m, compared with a comparable net profit last year of A$668.6m. Turnover was down from A$17.2bn to A$15.4bn, reflecting asset sales.

The extraordinary loss of A$1.44bn included losses of A$491m on the sale to Carter Holt Harvey of New Zealand of a controlling stake in Elders Resources NZFP, and A$206m on the sale of shares in Scottish and Newcastle Breweries of the UK following a failed takeover attempt.

The other leading items were a provision of A$245m against losses in the agribusiness division, largely on wool and pastoral activities, and A$474m in loan provisions and other costs related to the group's failure to sell the Elders Finance division's businesses as going concerns.

At the pre-tax level, the only bright spot was the brewing division, which increased profits from A$530m to A$583m, in spite of the impact of high interest rates on the group's Courage subsidiary in the UK.

The agribusiness division was badly hit by problems in the Australian wool industry, but the profitable brewing materials and meat businesses helped the division to reach profits of A$33m, compared to A$66m last year.

The board said it would retain the pastoral elements of the agribusiness division, which it had hoped to sell or float on the stock market. The future of the business would be reconsidered once it had returned to profitability.

The directors said they were optimistic about the future profitability of the group, which is to be renamed Fosters Brewing Group when the sale of non-brewing assets has been achieved.

"The strength and acknowledged expertise of the brewing group - the fourth largest in the world - will provide sustainable profits with opportunities for steady growth, and is expected to yield attractive returns to shareholders over time," the board said.

The shares closed at A$1.35 before the results were announced, compared to a high for the year of A$2.40.

Lex, Page 20

John Elliott: board will press ahead with non-core disposal plans

First half profits decline at Total

By William Dawkins in Paris

TOTAL-CFP, the French state-controlled oil group, yesterday reported a decline in net profits from FFr1.9bn ($365m) to FFr1.3bn for the first half of 1990. It also said it was holding slightly larger oil stocks than usual as a precaution because of the Gulf crisis.

Excluding a FFr1.4bn stock loss, due to falling oil prices early this year, the underlying result was a large jump in net profits from FFr400m to FFr2.6bn, on sales up from FFr51.1bn to FFr53.1bn.

Total made a FFr1.7bn stock profit in the same period of last year, and is likely to make another significant stock gain in the current half as oil prices continue to rise. Its results sent the shares up 1.4 per cent to FFr720, before falling back to end the day at FFr709, just under the FFr710 opening price.

Mr Serge Tchuruk, chairman, said margins in the refining division, Total's largest profits earner, had not been hit by the oil price rise, thanks to the continuing strength of demand for refined products.

Net profits in the refining division jumped from FFr600m to FFr1.8bn, confirming its growing importance to Total, which until two years ago used to make most of its profits in production. Those activities contributed FFr600m to group profits, the second most important source of earnings and a swing from a FFr200m loss in the first half of last year.

The group's net debt gearing had improved from 47 per cent of shareholders' funds at the end of the year to 41 per cent by the end of June. Mr Tchuruk confirmed that he was considering the sale of his Paris headquarters, estimated by analysts to be worth FFr1bn-2bn, a tactic used by several other large French companies to improve their balance sheets over the past year.

It was impossible to predict the likely impact of the Gulf crisis on the full year results, though Mr Tchuruk was operating on the assumption that Total's main markets were set for a "mini recession."

While the group was keeping crude stocks at the level it would normally expect during winter, it did not plan to make speculative purchases.

● Elf Aquitaine, Total's larger state-owned counterpart, yesterday signed an accord with the Soviet Consortium for Commercial and Economic Co-operation with France, under which the consortium will help Elf develop its activities in the Soviet Union.

News Corporation shares plunge to three-year low

By Kevin Brown in Sydney

SHARES in Mr Rupert Murdoch's News Corporation fell to a three-year low in Sydney yesterday amid concern about the group's debt and suggestions that it might withdraw from the Australian Stock Exchange (ASX) unless the exchange changes its listing rules.

The shares hit a low of A$8.48 ($7.06) before recovering to close at A$8.74, a drop of 26 cents on the day, following a fall of 60 cents on Monday. The shares last traded below A$9 shortly after the global stock market crash in October 1987.

Analysts said the suggestion that the group might withdraw from the ASX had added to worries about the group's prospects after a 43 per cent fall in net profits to A$282m for the year to June 30.

The limited recovery in the share price yesterday afternoon followed reassuring comments on the group's financial position by Mr Murdoch in a surprise appearance at an Australian investment conference in New York.

He said the group intended to reduce its A$10.5bn debt burden through higher earnings over the next three or four years.

It was discussing ways of rescheduling the high proportion of short-term debt, and had maintained "a very good relationship" with its leading banks, he said.

Rupert Murdoch: reassuring

Mr Murdoch said the group had no plans for a rights issue, but warned that News Corporation would "make the New York Stock Exchange our home rather than Australia" if the ASX failed to change its rules to allow issues of limited voting and non-voting shares.

News Corporation plans to ask shareholders at its annual meeting next month to approve plans for a one-for-one bonus issue of limited voting preference shares early next year.

The issue would be allowable under the rules of the New York and London exchanges, where News Corporation is also quoted, but would be blocked by ASX regulations.

The national listing committee of the ASX has recommended that the exchange should move into line with London and New York.

However, the proposal is opposed by some senior ASX officials and by institutional investors, including the AMP Society, Australia's biggest single shareholder.

Deputy chief executive is to leave Goodman

By Kieran Cooke in Dublin

MR BRIAN BRITTON, deputy chief executive of Goodman International, the Irish beef processing group, is to leave the company.

The group, which owes its bankers more than I£450m (£411m), announced last month that it was in financial difficulties and was given protection from its creditors by the Dublin High Court. Representatives of the lending banks are meeting in Dublin today to discuss whether to lend further working capital to the group.

In proceedings in the High Court last week, some banks which have lent to Goodman alleged that they had been given misleading information by Mr Britton.

In affidavits read to the court, two of the banks concerned said that banks were "led to believe by Goodman International and its officers that Goodman International and its subsidiaries were in a sound financial position."

Yet it was later confirmed by figures submitted by Goodman International to the banks that the company was in fact insolvent.

Mr Britton has until now been regarded as the right hand man of Mr Larry Goodman, head of the privately-held Goodman group.

Last month Mr Tom Walsh, treasurer of the Goodman group, who was also named in last week's court proceedings, left the company. The outcome of today's bankers meeting will determine Goodman International's immediate future.

Mr Peter Fitzpatrick, the Examiner appointed by the High Court to oversee Goodman International's affairs, says that by the end of this week company funds will be exhausted.

He says he needs an additional I£30m to ensure the survival of the company until the end of the present cattle slaughtering season.

Though the banks have been acting in unison on the Goodman issue, it has become clear that some want to see Goodman's operations continue, for the time being at least, while others, mainly Bank of America and the continental banks involved, are taking a more hard line.

Background, Page 29

UK government rejects Polly Peck's inquiry call

By Richard Waters in London

THE UK government yesterday rejected a call from the beleaguered Polly Peck International for an official investigation into the circumstances which led to the collapse in its share price last week.

The company's board had asked for a Department of Trade and Industry inspection in an attempt to restore City confidence following last week's events.

The value of the fruit trading and consumer electronics group fell by more than half last Thursday when it emerged that the Serious Fraud Office had searched the offices of a company linked to Mr Asil Nadir, Polly Peck's chairman and chief executive.

The DTI believes that such an inspection would complicate matters, involving too many groups of investigators. Also, it would not help the company in any way, since a DTI report could not be published "were any court action to arise in relation to the matters under investigation".

In a letter to the company yesterday Mr John Redwood, under secretary of state for corporate affairs, said: "I am not at present satisfied that in the circumstances, and particularly in the light of other inquiries, the secretary of state should appoint inspectors under section 432."

This is the section of the 1985 Companies Act under which any investigation would be carried out, according to the DTI.

Mr Redwood said the fraud office had "the necessary powers to investigate all the allegations of which we are aware."

He added that the DTI would reconsider, if Polly Peck provided more evidence showing "good reason" for an investigation.

It would also have to confirm in writing that it was prepared to pay the costs, which "could exceed £1m ($1.88m)".

The Guinness and House of Fraser inquiries each cost more than £1.5m, the DTI has said.

Backgroud, Page 28

Biggest UK housebuilder falls 36%

By Andrew Taylor in London

TARMAC, Britain's biggest housebuilder, slumped by more than a third at the pre-tax level from £153.8m to £97.8m ($184m) during the first half of this year.

The group was one of the fastest growing and most successful British construction and building material companies during the 1980s. However, it has been hit hard by the collapse of the housing market.

Tarmac, which combines its construction activities with a large building materials business, produces little profit from continental Europe. Other large British materials groups such as RMC, Redland and Steetley have been able to shelter behind their continental earnings.

Construction output has risen sharply in Germany and remains strong in France and Spain compared with the UK, where output is expected to fall by up to 6 per cent this year.

Housing profits at Tarmac during the first six months of this year fell by 56 per cent from £78.1 to £34.1m as pre-interest margins on house sales collapsed.

Tarmac, which increased turnover by 18 per cent from £1.52bn to £1.79bn, said it was maintaining its interim dividend at 3p.

Two years ago, British housebuilders started work on 216,000 new private homes. This year, private housing starts will be only about 125,000 – a fall of more than 40 per cent.

Sir Eric Pountain, group chairman, said the downturn in housing had inevitably affected profits at Tarmac's quarry products and building materials divisions.

Quarry products profits fell from £46.3m to to £40.3m during the first half. Building materials profits fell by more than 40 per cent from £13.5m to £7.9m. Concrete and aggregate margins had been eroded by the downturn in demand from private housing. Brick sales had also fallen sharply.

Sir Eric warned that confidence in the housing market had deteriorated further since June and little improvement was expected in the short term.

Earnings per share fell from 13.2p to 8.4p after tax and the interest charge increased from £31.4m to £37.7m.

The number of houses sold by Tarmac during the first six months of this year actually increased by 475 to 4,745, but the average price of a home fell from £78,400 to £77,300.

By the end of this year, Tarmac expects to have sold about 11,000 homes – 9 per cent fewer than the 12,085 homes which it sold last year.

Most worrying, it says, is the way in which the recession in housing has spread to other areas of UK construction since the spring.

Tarmac's profits in the US rose slightly from £14.6m to £15.1m. This market is expected to become more difficult during the second half, as the downturn affecting many areas of US construction is expected to continue.

Lex, Page 20

Rodamco hauls in the safety net

Ronald van de Krol on reaction to change at the Dutch property fund

Trading is scheduled to resume today in Rodamco, the large Dutch property investment fund which stunned the Amsterdam bourse on Monday with the news that it was suspending its traditional policy of buying back shares when asked to do so by investors.

Analysts say a substantial fall in share price is inevitable, with estimates ranging from 10 per cent to more than 20 per cent. The shares closed at Fl 73.30 on Friday.

Though trading remained suspended yesterday, Rodamco's sudden switch on Monday from an effectively open-end structure to a closed-end structure continued to have a knock-on effect on the Dutch property sector.

Trading in VastNed, a smaller open-end fund, was also suspended yesterday, in line with a decision to halt trading in VIB, another open-end Dutch property fund, on Monday.

Analysts said Rodamco's move – which came as a shock despite provisions in its statutes which allow for a reversal of policy – had also caused a dent in confidence in its owner, the Rotterdam-based Robeco group, Europe's biggest independent fund manager.

"Robeco's image is tarnished but I think that people believe it when it says that it has no plans to make a similar switch in the way it operates its share and bond funds," one analyst said.

He also noted that Rodamco had probably benefited from the Amsterdam bourses's decision to suspend trading for two days rather than the standard one day. "Nerves are steadier now, and people see that Rodamco had little choice but to suspend its share purchases," he said.

On Monday morning Mr Pieter Korteweg, Robeco group chairman, said Rodamco would no longer buy back shares at their net asset value, a startling break with the 11-year-old fund's previous practice. Over the past nine months, the fund had been forced to buy back 20 per cent of its outstanding shares, causing a Fl 2.3bn ($1.3bn) drain on liquidity.

Because property is illiquid, Rodamco would have had to sell off holdings at big losses to find enough money to continue buying in shares. In effect, Mr Korteweg meant that, after today, Rodamco will be no different from any other share and will be subject to rises and falls caused by supply and demand.

The other implication is that, like other property funds, its share price will stand at a discount to net asset value now that the safety net provided by Rodamco's share purchases has been pulled away.

Rodamco's move exploded like a bombshell on a property market that has been weakened recently by higher interest rates and fears of recession. As the largest Dutch property fund and the fourth biggest in the world, Rodamco is a property investment trend-setter, though the fund has no real equivalent because most property funds are closed-end.

Until now, Rodamco had cushioned investors from potential swings in share prices by voluntarily pledging to link them to the net asset value per share of its substantial property holdings.

This policy was the key to the marketing success of Rodamco, which has built up a property portfolio of Fl 9bn since 1979. During the stock market crashes of 1987 and 1989, Rodamco's shares barely moved while other stocks were buffeted.

Before the opening of trading every morning, the fund would tell the "hoekmen" – market specialists on the Amsterdam bourse – the bid and sell prices at which it was prepared to intervene if its market price threatened to get out of step with net asset values.

These prices, in turn, were based on Rodamco's judgment of the current value of its worldwide property holdings. The daily calculations were affected by a number of factors, the most important of which was exchange rate movements.

A fall in the value of sterling or the dollar would cause changes to the projected value of Rodamco's rental income, as 40 per cent of its holdings are in the US and 34 per cent in the UK.

With the suspension of its share redemption policy, Rodamco will now have to decide how often it will publish estimates of net asset value. Although it will be required to release these figures when it issues half-year and full-year results, Rodamco will probably want to do so more frequently in an attempt to restore badly-needed confidence in the shares, analysts say.

Compromise brings end to acrimony at Azzaro

By George Graham in Paris

MR LORIS AZZARO, the couturier, has agreed a compromise with Maurer und Wirtz, his German shareholders, ending one of the angriest squabbles in the Paris fashion world.

Mr Azzaro's deal with Maurer, a chemicals company which holds the licence for Azzaro perfumes, will give him back control of the fashion side of the business.

The two sides had worked together harmoniously for 10 years, with Maurer as perfume licensee for the Azzaro name, but things went sour after 1986, when the German company persuaded Mr Azzaro to sell it 51 per cent of the business he had founded.

Two years later, he was unceremoniously fired after a series of rows with the managers put in to run the company, which plunged into loss.

After 18 months of lawsuits and reciprocal insults, Mr Azzaro has come to a working arrangement: he will take 51 per cent of the Loris Azzaro company, covering couture, ready-to-wear and some accessories. Maurer and Wirtz will keep 49 per cent and become owner of the perfume brand name.

In his enforced idleness since 1988 Mr Azzaro has turned his hand to designing spectacles, watches and lighting fixtures, but he is best known for the slinky evening dresses with which he has clothed the likes of Sophia Loren, Tina Turner and Liza Minnelli.

"A woman must be much more beautiful with my dress on than off. I make them for women to put on and for men to take off," he says.

Restructuring at Danish textile group

By Hilary Barnes in Copenhagen

NORTHERN Feather Holding (NFH), the Danish-based international bedding, home furnishings and textiles group, announced yesterday that it had sold 52 per cent of its equity for DKr460m ($77.2m) to Northern Feather International (NFI) of Holland.

Mr Johannes Petersen, NFH chairman, told an extraordinary meeting of shareholders that the buyers were business partners of NFH in the US, Japan and Germany, investors and trusts.

Northern Feather Holding's share quotation on the Copenhagen Stock Exchange was suspended at the request of the company on June 29. The deal was made at the average listed price of the shares for the 10 days prior to suspension.

The deal will turn Northern Feather into a group with a turnover of about DKr7bn-8bn a year, with a global presence and strength as a supplier of textiles for the vehicle industry, said Mr Petersen.

The group, which two years ago bought Chatham Manufacturing, an American textiles manufacturer, has concluded partnership deals with three new companies: Mount Vernon, a family-owned textiles group in the US; Tatsumura, a Japanese company and leading supplier of textiles to the Japanese vehicle industry; and Hofkammer des Hanses Würtemburg, Germany.

These three will have minority shareholdings in Northern Feather International. However, in spite of critical questioning from dissatisfied shareholders, Mr Petersen declined to reveal who holds what in NFI, or to name the members of NFI's board. Shareholders in NFH were also critical of the paucity of financial information revealed by the chairman.

However, Mr Petersen said that NFH and "friendly" trusts retained control of NFI. He said the deal would benefit shareholders, who would receive the yield on the DKr460m, which would amount to roughly the same as the 10 per cent dividend to be paid, as well as a dividend from NFI.

He said that in the year to the end of March, NFH increased profits after net financial items from DKr81m to DKr110m, and net profits from DKr72m to DKr99m.

Blackwood Hodge taken over by BM Group

By Jane Fuller in London

BLACKWOOD HODGE, one of the world's largest distributors of earth-moving equipment, is being taken over by BM Group, the fast-growing manufacturer and distributor of construction equipment and building products.

Blackwood Hodge only just survived the UK recession of the early 1980s, but its problems returned in the first half of this year, when pre-tax profit nearly halved to £3.2m ($5.8m) and tax charges and reorganisation costs inflicted a retained loss of almost £3m.

BM's agreed one-for-seven share offer, which values Blackwood Hodge at about £54m, or 32.7p per share, has been accepted by the holders of at least 62 per cent of the target's stock.

Mr Roger Shute, chairman of BM, said his company was strong in the UK, whereas Blackwood was strong overseas. The two had a complementary range of construction equipment.

BM also announced yesterday a 46 per cent increase in pre-tax profit to £23.1m for the year to June 30. Turnover advanced by 18 per cent to £228.4m and earnings per share by 40 per cent to 22.6p.

This compares with Blackwood Hodge's 1989 figures of £18.3m taxable profit on sales of £497m, with earnings of 7.4p.

Mr Shute said on day one of the new operation combined borrowings would be £95m and net assets £143m (£80m BH plus £63m BM). Before the deal BM was ungeared and the 20 per cent partial cash option has a limit of £11m.

His prognosis for gearing was that by next June it would be 62 per cent, falling to 35 per cent by June 1992. In 1991-92, the group was estimated to have a turnover of £780m and he showed eyebrow-raising charts for growth in pre-tax profit and earnings per share.

BM announced a final dividend of 1.4p, making a total of 2.6p from 2p.

Its share price, suspended on Monday at 245p in London, closed yesterday at 229p. Blackwood Hodge, suspended at 21p, closed at 31p.

Lex, Page 21

Svenska Handelsbanken up strongly to SKr3.3bn

By Robert Taylor in Stockholm

SVENSKA Handelsbanken, one of Sweden's leading commercial banks, boosted group operating profits by 29 per cent for the first eight months of the year, to SKr3.34bn ($583m) from SKr2.58bn a year earlier. Group operating revenue rose by a similar percentage to SKr6.65bn.

Profits from mainstream banking operations rose by 17 per cent to SKr2.61bn, while operating revenue climbed to SKr5.027bn.

Interest income for the Handelsbanken group increased by 35 per cent to SKr5.05bn, while its return on capital rose to 24.4 per cent for the January-August period, compared with 22.1 per cent for the same period of last year.

Profit per share increased to SKr16.30 from SKr12.60 for the first eight months of last year.

Handelsbanken said its group credit losses had climbed by as much as 66 per cent over the period to SKr196m, with a 59 per cent jump in the bank operation's credit losses to SKr145m.

Group expenses went up by 26 per cent to SKr3.11bn, with a 15 per cent growth in the bank's expenses to SKr2.27bn.

The first eight-month results for the group include the activities of Skanska Banken, which was acquired in November. They also include figures from Oslo Handelsbank, which joined the group in May.

Handelsbanken said its operating profits for the whole of this year would be better than in 1989 when they reached SKr3.95bn – an 8 per cent improvement.

Reebok warns of earnings decline for third quarter

By Karen Zagor in New York

REEBOK International, the sports shoe maker which has been losing market share to Nike, said yesterday it expected its third-quarter per-share income to drop to between 33 and 35 cents from 44 cents a year earlier, although the company expected improved fourth-quarter earnings.

The Stoughton, Massachusetts-based company attributed the third-quarter decline to lower US sales of its Reebok brand footwear, and higher expenses for advertising and promotions.

Reebok hopes the short-term negative impact of promoting its adjustable-pressure Pump sports shoe will be more than offset by future gains.

Mr Paul Fireman, chairman and chief executive, said: "Paced by orders for our expanding line of The Pump products, the Reebok brand's order backlog in the US as of mid-September was 15 per cent higher than a year ago, and US sales of Reebok brand footwear should resume their growth in the fourth quarter."

Shares in Reebok fell 75 cents to $9¾ in moderately heavy trading on the New York Stock Exchange. Pentland, the UK consumer goods group which has been trying to sell its 31 per cent stake in Reebok since June, last month said it would suspend active marketing of the block until Reebok's share price recovered.

At the time, Reebok stock was trading at $13½, down from about $18 when Pentland decided to sell its stake.

Reebok expects earnings of about $1.53 a share for the whole of 1990, little changed from a year earlier.

Pirelli dips to L137bn

PIRELLI SpA, the main industrial holding company of the Pirelli tyres and cables group, reported a fall in first-half net profit to L137bn (US$117m) from L152bn, Reuter reports. It said lower profit from tyres was offset partly by better results in cables and diversified products.

COMPANY NEWS IN BRIEF

MANNESMANN, the West German engineering group, said it was holding talks with other companies about some form of alliance or co-operation with its computer-related operations, writes Our Financial Staff.

The company said it was in talks with companies over a possible partnership in this activity, but gave no details. Mannesmann's statement followed a report that it was negotiating the sale of all or a majority of the shares in the computer operations included in its Mannesmann Kienzle subsidiary.

Analysts have said that a disposal of Mannesmann's computer activities, employing about 4,000 people, was a possibility, as these did not fit in with the rest of the group.

■ Benetton Group, the Italian casual wear manufacturer, announced consolidated net earnings in the first half of 1990 up 20 per cent to L65.6bn ($56.3m) from L54.7bn in the comparable period of 1989, AP-DJ reports.

Consolidated revenue rose a record 25 per cent to L1,046bn in the first six months, from L836.3bn a year earlier. This was due in part to a rapid expansion in east Asian markets, particularly South Korea and Japan.

■ Safra Republic Holdings, a Luxembourg-based bank holding company, said it had authorised its subsidiaries to purchase up to 400,000 of its own shares, Reuter reports.

"The company believes that the purchase of its own stock at current prices, which are below book value, represents an appropriate use of group corporate funds," it said.

■ Volker Stevin, the Dutch builder, boosted first-half net profit to Fl 7.1m ($4.1m) from Fl 4.9m. Turnover rose to Fl 1.08bn from Fl 979m. Operating profit increased to Fl 14.5m.

INTERNATIONAL COMPANIES AND FINANCE

Cummins warns of further loss in fourth quarter

By Karen Zagor in New York

CUMMINS Engine, the world's biggest independent manufacturer of diesel engines, yesterday said it expected its third-quarter loss to exceed the $39.7m reported in 1989 and to report a fourth-quarter loss.

Cummins attributed its worsening fortunes to the accelerated decline in demand for North American heavy-duty trucks, the softening of related markets for components and replacement parts and lower sales of generator sets for recreational vehicles.

The Columbus, Indiana-based company had earlier warned it expected to report a loss in the three months to the end of September because of the continuing slump in North American demand for heavy-duty truck engines, but it had expected the deficit to be smaller than a year earlier.

Cummins has taken measures to cut costs in response to the weakening market conditions, including the reduction of engine assembly at its headquarters facilities in Columbus, voluntary lay-offs and salary cuts. It does not expect the North American heavy-duty truck market to improve in the near future.

Cummins also plans to begin a tender offer for its outstanding liquid yield option notes (Lyons, $375m principal amount) on or about September 26 at a price of $270 per $1,000 principal amount of Lyons. It said the purchase of Lyons in the private transaction would result in an extraordinary gain of about $12m. The planned purchase of the remaining Lyons would result in an additional gain of $22m. Cummins' third-quarter projections do not include these one-time items.

Sasea takes 20% stakes in three oil companies

By William Dullforce in Geneva

SASEA HOLDING, the parent company of the investment banking group controlled by Mr Florio Fiorini, has acquired 20 per cent stakes in three oil companies belonging to France's Bolloré Group in part exchange for its holdings in Rivaud Group companies.

Bolloré, in association with Credit Lyonnais Investissement, is paying FFr1.7bn ($322m) for the shares held by Sasea and Comfinance, a company owned by Mr Giancarlo Parretti, in Socfin (Financiere des Caoutchoucs) and Plantations des Terres Rouges (PTR). Sasea held 37 per cent of PTR.

In addition, Bolloré is buying for FFr400m Sasea's package of Rivaud shares, including a 5 per cent stake in Financière de Moncey.

In return Sasea Holding is acquiring 20 per cent shares in the capital of Bolloré Energie (France), Calpam (Holland) and Satram (Switzerland).

Sasea led a consortium which in 1988 acquired holdings averaging 38 per cent in several companies in the Rivaud Group. This move was intended to facilitate the ambition of Mr Parretti to secure control of the Pathé cinema chain in France – an ambition which has been thwarted by the French government.

Mr Gilles Somers, Sasea's secretary-general, said the Geneva-based holding company had secured a substantial capital gain from the transactions with Bolloré but would not give a figure.

The exchange would reinforce the group's activities in the energy field. Sasea has a 35 per cent stake in Tamoil (Suisse) which recently took over Gatoil, Switzerland's fourth largest oil company. The majority partner in Tamoil is Libya's Oilinvest.

Accusations fly over proposed UAL buy-out by employees

THE UNITED Airlines Pilots Association, one of the unions still labouring to put together an employee-led buy-out of the US carrier, has accused UAL chairman, Mr Stephen Wolf, of telling his board that the employee-initiative does not have the full backing of workers, writes Nikki Tait.

"Mr Wolf is telling UAL's board the employee ownership initiative is not broadly supported by the union rank and file – only the union leaders want it to happen in his opinion," claimed a letter, made public on Monday, from the pilots' association to its members.

It urged members to affirm their support and warned that the board "may even be further misled by an anti-ESOP [employee share ownership plan]/pro-Wolf letter-writing campaign which is currently being conducted... by anonymous sponsors."

UAL said there was "growing concern in the industry about being a highly leveraged carrier in these uncertain times". Mr Wolf, said the airline, had received many concerned letters from employees.

The pilots' association letter added that if members were opposed to the buy-out plan it would return to regular wage negotiations and was "confident in our ability to confront senior management... up to and including a strike".

Publication of the letter comes only days before a UAL board meeting, at which the airline says it will consider any proposals which the buy-out team puts forward. The board has given the unions until October 9 to secure financing for a bid.

● Lockheed, the US aerospace group, delivered a further rebuff to Dallas-based investor, Mr Harold Simmons, saying it would not alter the group's poison pill provisions so that his NL Industries could raise its Lockheed stake. It agreed to suspend the provisions if most of its shareholders backed a fully financed, all-cash offer.

Mr Simmons, who controls NL Industries, had proposed acquiring a further 10m shares, taking NL's stake to about 35 per cent.

Acer plans to set up European factory

By John Elliott in Taipei

ACER Incorporated, Taiwan's biggest producer of personal computers, is planning to establish a European manufacturing presence costing an estimated US$30m to US$50m by the end of next year.

Acer is considering either taking over an existing company or opening a new factory. The most likely locations are West Germany, the UK or Spain.

Early in July, Acer clinched its largest international acquisition when it bought Altos Computer of the US, a Silicon Valley producer of computer systems, for US$94m. This was the culmination of a series of smaller acquisitions in Europe and the US.

Mr Stan Shih, founder and chairman of Acer, said recently there was a need for a "more conservative approach" to acquisitions because of restricted growth. Profits, which totalled US$6.4m before tax on turnover of US$688.9m, were below forecasts. But a large manufacturing plant in Europe, which had been under consideration for some time, was still needed.

Mr Philip Peng, vice president for corporate finance, said that European manufacturing should be ready for 1992, which indicated a move by the end of next year. A budget of US$30m was likely if a new factory was built, or US$50m if a company was taken over.

This is likely to spark extensive competition from European countries wanting to attract Acer. Mr Peng said the UK was one possible choice because of good investment incentives and relatively low labour costs. West Germany could offer high productivity and, as with the UK, had an established infrastructure. Spain's advantage was low labour costs.

Apricot Computers of the UK was looked at by Acer as a possible purchase, but was judged too expensive and was bought by Mitsubishi of Japan.

FCL sells fishing operation to Carter Holt Harvey

By Terry Hall in Wellington

FLETCHER Challenge ended its long-standing involvement in New Zealand's fishing industry yesterday with the sale of its deep water operations for NZ$139m (US$87m) to Carter Holt Harvey.

It has raised a total of NZ$210m through the sale of its fishing operations since May when it decided to concentrate on businesses in which it could be internationally competitive.

FCL said it could not acquire any sizeable overseas fishing businesses to link with its New Zealand operations and so decided to withdraw completely. The sale means that FCL has sold NZ$490m of non-core businesses this year.

Carter Holt Harvey, which is FCL's biggest competitor in New Zealand forestry, has had a long involvement in fishing and as a result of the latest purchase its Sealord subsidiary becomes the dominant company in New Zealand fishing.

Sealord will expand its fishing fleet from six to eight vessels and the purchase will more than double its exports to NZ$300m a year. It will have a staff of 1,000.

In a separate deal FCL is selling its deep sea vessel FT Acona for about NZ$51m to American Seafoods of Seattle.

● Fletcher Challenge does not expect earnings to improve in the next 18 months, said Mr Hugh Fletcher, chief executive officer, Reuter reports.

He said that the group would see depressed earnings unless there were unexpected improvements in the pulp and paper sector. The company reported per share earnings of 55.7 cents in the year to June 30, down from 60 cents in a comparable period a year earlier. Net earnings in the latest year were NZ$662.4m, against NZ$653.4m.

Consortium challenges GIMM bid for Cananea

By Richard Johns in Mexico City

THE AWARD of the state-owned Cananea copper company to Mr Jorge Larrea's Grupo Industrial Minera Mexico (GIMM) in alliance with ASEC-Union Minière of Belgium at a privatisation auction held last month is facing an 11th-hour challenge from a consortium called Sintemex.

It is alleging irregularities in the bidding process and breach of Article 28 of the constitution forbiding private monopolies. It is offering a 25 per cent stake to the mine workers' union.

Union members are unhappy about Mr Larrea's company owning Cananea because of GIMM's treatment of the labour force at the nearby La Caridad mine of Mexicana de Cobre, also owned by GIMM.

Sintemex's complaint was lodged with Nafinsa, the state development bank, last week before the deadline for payment of $475m, the winning bid submitted by GIMM in the auction. Ownership of the mine would give GIMM about 95 per cent of Mexican output.

At an earlier auction held on June 25, Dr Ricardo Sanchez, head of the Sintemex consortium, claims it was prepared to submit a $600m offer at the last minute but the judge had absented himself and the company was unable to submit the bid before the deadline. Mexican law states the government must accept the highest bid in such sales, Dr Sanchez said.

The mine was provisionally awarded to the Cuprifera de Cananea consortium led by the ICA construction group with a $465m offer but the award was annulled because it could not meet the payments schedule.

Sintemex claims further irregularities at the second auction, including a wrongly presented letter of credit.

Dr Sanchez said last week the consortium comprised 23 companies, had arranged financing and had access to technology, but would give no details.

In the privatisation exercise the government is assuming a substantial loss as Nafinsa is assuming debts of the old state-owned Compania de Cananea (declared bankrupt last August) amounting to about $700m.

Diamandis to leave Hachette

HACHETTE Publications, the French publishing group, said it had terminated the employment of Mr Peter Diamandis, chairman and chief executive officer of its US offshoot Diamandis Communications, as of Monday, Reuter reports.

Hachette said that, although Mr Diamandis' contract did not expire until December 31, it had been mutually agreed his employment would be ended.

Mr Daniel Filipacchi, Hachette chairman, said he would assume Mr Diamandis' duties. The company would be renamed Hachette Publications.

INTERNATIONAL COMPANIES AND FINANCE

Gulf crisis puts oil companies on the spot

Richard Gourlay looks at the impact of the price jump on the world's leading suppliers

This week's rise in Brent crude oil prices to fresh heights will be a further fillip to international oil company profits already boosted by the Iraqi invasion of Kuwait.

How much profits will rise depends largely on how long oil prices remain high, but the Gulf disruption will leave the big companies winners in different ways.

Three factors determine how oil company profits will rise in the short term. The first is the location of oilfields – whether they are in areas where the marginal tax rate on oil pumped from the ground is high or low; how much refining and marketing capacity the company has relative to its oil production; and to what extent the company has invested in the troubled petrochemical industry.

Based on stock market valuations in dollar terms, Amerada Hess, the US independent, is leader of the pack with an 11.7 per cent increase in its share price since the invasion. Other US majors, Unocal and Atlantic Richfield, have risen 8.5 and 8.0 per cent respectively, followed closely by British Petroleum with a 7.6 per cent rise.

In the middle are Mobil with a 2.5 per cent rise, and Shell and Texaco whose share prices have barely edged up. At the tail end are Chevron with a 1.1 per cent fall, Exxon down 1.4 per cent and Royal Dutch which has slid 3.7 per cent. The Dow Jones Industrial Average and the FT-SE 100 indexes have fallen more than 13 per cent in the same period.

Stock markets tend to be more influenced by immediate factors, such as the oil price, than longer term considerations such as whether the company has natural gas investments. Nevertheless, the stock markets are probably the best measure of relative changes in value.

In general, the more an oil company's profits come from crude oil production as opposed to refining, distribution or petrochemicals, the more the profits will rise in the short term on crude price rises. BP derives 54 per cent of its operating profit from production.

	Production million barrels/day	Gross after tax increase ($m)	Earnings per share increase
Amerada Hess	170	37	18.2%
Amoco	480	105	5.9%
Atlantic Richfield	640	140	8.3%
Kerr McGee	40	9	6.2%
Pennzoil	30	7	5.1%
Phillips Petroleum	225	49	9.7%
Unocal	235	51	16.3%
British Petroleum	1325	242	12.1%
Chevron	630	138	8.1%
Exxon	1240	272	5.2%
Mobil	510	112	6.0%
Royal Dutch Shell	960	210	5.6%
Texaco	630	128	10.6%

Source: First Boston

IMPACT OF $1 PER BARREL CHANGE IN OIL PRICES

Furthermore, in the US, where it is the largest producer, most of its output is from Alaskan fields where it faces marginal tax rates of only 34 per cent. No other leading oil company derives as high a proportion of its oil production from fields concentrated in so low a tax regime.

Shell's crude oil production accounted for 34 per cent of 1989 operating profit and its more geographically dispersed fields left it facing a marginal tax rate of 64 per cent.

Amerada Hess, Arco, and to a lesser extent Unocal are the other big winners because they derive high proportions of operating profits from production or are big in Alaska.

Exxon, the US giant, has significant Alaskan interests but fewer than these other companies. Its shares may not reflect the full impact of higher oil prices as it is still languishing somewhat under the cloud of the Exxon Valdez disaster.

The majors will also be affected by how much natural gas they produce. Shell has diversified more than BP into gas, a move some analysts believe stands it in better stead long term. However, contracts in Europe are generally linked to the price of oil with a six-month lag.

In the US, gas prices have lost some of these links with oil prices. As a result, the big gas suppliers Chevron and Amoco have had to watch relatively larger oil producers profit more from crude oil prices while demand for gas has remained relatively sluggish, according to Mr Dillard Spriggs, president of New York based Petroleum Analysis.

The second factor bearing on relative growth of earnings is refining and distribution. Previous oil shocks have severely squeezed refinery margins – the value of the refined profits less the cost of the crude oil.

But because Iraq's invasion removed about 750,000 barrels a day of refined products from world markets as well as crude oil, refinery margins have risen sharply and now stand close to record levels.

The refiners should have been in clover. Contrary to this popular view, refiners have been unable to pass on the full increases at the petrol pumps and marketing margins are being squeezed, according to Mr David Gray, analyst at stockbroker James Capel.

The big winners are companies that refine more than they distribute. Ultramar, for example, refines about double what it retails, selling the balance wholesale at world market prices. Analysts find it hard to determine whether improved refinery margins will be fully offset by squeezed marketing margins; Mobil's chairman, Mr Allen Murray, believes combined profits will fall.

Some refiners will be better placed than others. As the crude oil replacing that lost from Kuwait is likely to be heavier – requiring more sophisticated refining to extract a given value of products – oil companies with more of this capacity will do better.

Chevron, the US's largest refiner, is largely on the west coast where refineries are already geared to dealing with heavy crudes from Alaska. Others benefiting are Arco and Unocal, while Amoco has more capacity in the mid-west where lighter crudes are usually handled, according to Ms Fiona Nicol at broker Kleinwort Benson.

The petrochemical industry hangs over what would otherwise be a rosy picture for the oil companies. Here all operators are facing a doubling in the price of their main feedstock, naphtha, while overcapacity in the industry means they are struggling to pass on price rises to their customers.

Shell has the greatest exposure to petrochemicals. The sector provided 25 per cent of group operating profits in 1989, compared with 18 per cent for BP.

The profits decline had been arrested by the interim stage this year before the Gulf crisis but a further dent in earnings can now be expected, says Mr Gray. In the US, Exxon, Amoco and Shell US have the largest exposure to petrochemicals and all are being hit further by a decline in consumer spending due to the economic slowdown.

These factors leave oil companies with a mixed albeit positive picture. The companies' increased value as a result of the Gulf crisis lies in oil still in the ground. This will be reflected in asset values rather than immediate improvements in profits.

Oil companies are unlikely to try to bring on stream new production until they are more certain that the higher price levels are likely to persist, an assumption that is difficult to make while so much uncertainty remains in the Gulf.

Jardine lists in Sydney as interim profits jump 26%

By Angus Foster in Hong Kong

JARDINE Matheson Holdings, the Bermuda domiciled trading company controlled by Britain's Keswick family, has reported strong interim profits growth and announced it has been given permission to list its shares on the Australian Stock Exchange.

The company said profits after tax and outside interests gained 26 per cent to US$123.3m in the six months to the end of June. Mr Henry Keswick, chairman, said the rate of profits growth was likely to slow in the second half. But full-year results were still expected to show a "satisfactory improvement" over last year's record figures, he added.

Turnover gained 14.5 per cent to $2.45bn. Earnings per share rose 27 per cent to 24.48 cents. The company is raising its interim dividend 17 per cent to 3.15 cents.

In a separate statement issued in Australia, the company said listing its shares on stock exchanges other than Hong Kong was in line with its more international business and shareholder base.

Nearly 50 per cent of profits after tax and minorities are earned outside Hong Kong and China, compared with only 34 per cent in 1988.

Jardine Matheson's interests in Australia, through subsidiaries and associates, include the Franklins supermarkets chain, the third largest in the country. The company also owns an insurance broker, a merchant bank, motor dealerships and franchises for Pizza Hut restaurants.

Earlier this year Jardine Matheson was listed on the International Stock Exchange in London and on the Luxembourg bourse. Other companies in the group, such as Hongkong Land and Mandarin Oriental, are seeking London listings.

Jardine executives say the moves overseas are designed to attract international interest and lift its share price. In Hong Kong, the moves are partly seen as an attempt to distance the group from the colony's problems in the lead up to 1997 and the return to Chinese sovereignty.

Mr Keswick said the strong results reflected good performances from subsidiaries and associates. Last week associates Dairy Farm and Hongkong Land announced interim profits at the top end of market expectations.

Jardine Fleming, an investment banking joint venture between Jardine Matheson and Robert Fleming of London, had an "excellent first half" and lifted funds under management, Mr Keswick said. That performance is unlikely to be repeated in the second half, due to the Gulf crisis.

Amalgamated Steel Mills turnover improves 34%

By Lim Siong Hoon in Singapore

AMALGAMATED Steel Mills (ASM), Malaysia's largest industrial group, lifted its turnover 34 per cent to M$1.3bn (US$481m) from M$952m for the year to June. Group pre-tax profit jumped 67 per cent to M$101m.

The steel, motor and retail divisions were its main contributors, and the improved results were due to a buoyant economy and a fast expanding construction sector.

However, net earnings, at M$45m, were down from M$0.14 a share to M$0.11 because of a M$54m tax bill.

After a final dividend at 8 per cent gross, the total annual net dividend amounted to M$17m.

● Kumpulan Guthrie, Malaysia's largest palm oil, rubber and cocoa group, has reported a 56 per cent fall in first-half pre-tax profits to M$33m from M$74m in the first half of 1989.

Turnover declined to M$412m compared with M$430m before.

With barely M$10m in profit to shareholders, the group's earnings per share fell 62 per cent to M$0.01 from M$0.025.

Despite lower earnings, Guthrie has proposed a maintained interim dividend at M$0.02 a share, or 2 per cent gross.

INTERNATIONAL CAPITAL MARKETS

Treasuries mixed as Fed warns against rate cuts

By Janet Bush in New York and Deborah Hargreaves in London

US Treasury bonds traded mixed at midsession yesterday after Monday's sharp falls with the short end of the yield curve under pressure and the long end modestly higher.

At midsession, short-dated maturities were quoted 1/32 point lower while the Treasury's benchmark long bond stood ⅛ point higher at 9.16 per cent.

The Commerce Department released revisions to second quarter gross national product which were generally weaker than expected. Real GNP growth was revised downwards to 0.4 per cent from growth of 1.2 per cent previously reported. The price deflators were left unrevised. The downward revision in growth partly reflected lower than previously estimated net exports.

This release should have been bullish for the bond market but had little positive impact. There was scope for a rebound from Monday's losses after the GNP figures but the market remained on the defensive because of higher crude prices. November crude futures were up 25 cents at midsession at $38.50 a barrel.

Bond traders also took note of comments from Mr Wayne Angell, Fed governor, who warned against easing interest rates in the face of rising oil prices. He said easing rates would undermine the credibility of policy and lead to potentially more severe adjustments to the oil shock in the longer term.

Whatever Mr Angell's views and those of his colleagues, the Fed is likely to come under increasing political pressure to lower interest rates given the evident weakness of growth in the second quarter.

■IN JAPAN, traders returned from a three-day weekend to digest news of further oil price rises and a weakening in the US Treasury market. This pushed yields on the 119 benchmark bond to 8.70 per cent as prices in the Tokyo futures market touched lows.

At one point, the yield rose to 8.72 per cent but prices edged up as traders covered short positions. Sentiment in Tokyo remains extremely bearish and the market is not showing much enthusiasm for the government's expected bond auction this week.

The government will probably auction Y700bn-Y800bn of bonds today or tomorrow, carrying a coupon of 7.7 or 7.8 per cent – the highest for eight years. There was a little selling of hedge positions in the futures market in advance of the auction yesterday, but more is expected today.

Banks in Japan made a widely-anticipated increase in the prime rate yesterday to 8.9 per cent from October 1, a rise of 40 basis points.

■THE West German bond market held steady yesterday after Monday's significant falls amid continuing pessimism amongst traders. There was no new economic data to confirm the market's inflation fears, but investors are still concerned about an expected rush of new bond issues this autumn.

The average yield on German government paper has now risen to 9.17 per cent – its highest level since 1982. The 8½ per cent 10-year bond was fixed 16 pfennigs lower on the cash market at 96.13 to yield 9.10 per cent.

The spread between the German and French bond markets remains at the 160 basis-point mark as the cash market for French OATs is still extremely quiet. The French market has not enjoyed the traditional post-holiday pick-up and dealing activity has ground to a standstill.

Most of the foreign investors who wanted to sell out of the French market have now done so and there is little buying or selling in the cash market.

■IN THE UK, the gilt-edged securities market experienced a day of treading water with little movement in bond prices. Traders say the market is in limbo until the next round of economic figures in two weeks' time.

Although final retail sales and money supply figures on Monday could give the market some food for thought, all traders' eyes are on the key inflation series that will be announced on October 8.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	101-19	-2/32	12.57	12.54	12.53
		9.000	03/00	84-13	-3/32	11.77	11.82	11.99
		9.000	10/08	83-10	-8/32	11.16	11.17	11.39
US TREASURY *		8.750	08/00	98-11	+3/32	9.00	8.96	8.98
		8.750	08/20	95-31	+6/32	9.14	9.12	9.09
JAPAN	No 119	4.800	6/99	80.8160	+0.104	8.65	8.57	8.34
	No 130	6.700	06/00	91.9771	+0.101	8.18	8.18	7.96
GERMANY		8.500	08/00	96.1400	-0.050	9.10	9.03	8.99
FRANCE	BTAN	9.000	11/95	94.1258	+0.040	10.52	10.36	10.45
	OAT	8.500	03/00	87.2400	+0.140	10.68	10.52	10.39
CANADA *		10.500	07/00	94.4500	-0.600	11.45	11.00	10.98
NETHERLANDS		9.000	07/00	96.2800	-0.070	9.27	9.20	9.14
AUSTRALIA		13.000	07/00	96.2309	-0.051	13.70	13.60	13.71

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

CBOT to change circuit-breaker rules

THE Chicago Board of Trade has approved revisions to its regulations applying to circuit breakers for domestic stock index futures contracts, AP-DJ reports from New York. The revisions have to be approved by the Commodity Futures Trading Commission.

For the Major Market Index futures contract, the maximum daily price limit (up and down) would be reduced from 50 points to 30 points, which is equivalent to some 150 points on the Dow Jones Industrial Average, the CBOT said. The current 20-point down limit (100 DJIA points) that has a duration of 30 minutes will remain in effect, as will all other trading halt provisions with respect to the primary securities market.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on September 25

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99⅛	99⅜	-⅛	9.18
ALBERTA PROVINCE 9 3/8 95	600	100⅛	100½	-⅛	9.30
AUSTRIA 8 1/2 00	400	92½	92⅞	-⅛	9.74
BANK OF TOKYO 8 3/8 96	100	94⅛	94⅝	-⅛	9.72
BELGIUM 9 1/8 92	400	100⅝	101		8.76
BFCE 7 3/4 97	150	91⅜	92⅛		9.50
BNP 8 5/8 94	300	98¼	98⅝		9.17
BP CAPITAL 9 5/8 93	150	100⅞	101⅜		9.14
CANADA 9 96	1000	99⅜	99¾	-⅛	9.13
CARCO 9 1/4 96	650	98½	98⅞	+⅛	9.58
CCCE 9 1/4 95	300	100	100⅜		9.22
COUNCIL EUROPE 8 96	100	93¾	94⅛	-⅛	9.43
CREDIT FONCIER 9 1/2 99	300	98⅝	99	-⅛	9.73
DENMARK 0 98	250	48	48½	-⅛	9.78
DENMARK 8 1/4 94	150	97	97⅜		9.19
ECSC 8 1/4 96	193	94⅝	95⅛		9.39
EEC 7 1/4 93	250	96⅝	97		8.81
EIB 7 3/4 96	250	93⅛	93½		9.33
EIB 10 97	250	102⅜	102⅞	-⅛	9.47
ELEC DE FRANCE 9 98	200	97¾	98⅛	-⅛	9.42
EUROFIMA 9 1/4 96	100	99⅝	100	+⅛	9.38
EXPORT DEV CORP 9 1/2 98	150	99⅝	100	+⅛	9.56
FINLAND 7 7/8 97	200	91½	92	-⅛	9.71
FINNISH EXPORT 9 3/8 95	200	100	100⅜		9.37
FORD MOTOR CREDIT 9 1/2 93	300	100¾	101¼	+⅛	9.20
GEN ELEC CAPITAL 9 3/8 96	300	99¾	100⅛	+⅛	9.41
GMAC 9 1/8 96	200	98¾	99¼	+⅛	9.40
HALIFAX 9 1/2 93	200	100¾	101¼		9.14
IBM WORLD TRADE 7 5/8 93	150	95⅛	95⅜	-⅛	9.47
IND BK JAPAN FIN 7 7/8 97	200	91⅛	91½	-⅛	9.75
INTER AMER DEV 7 5/8 96	200	91⅜	92⅛	-⅛	9.50
ITALY 8 1/2 94	1500	97⅞	98⅛		9.14
JAPAN DEV BK 8 94	150	96½	97		9.14
KANSAI ELEC PWR 10 96	350	101	101½	-⅛	9.73
LTCB 8 5/8 93	150	98⅝	99⅛		9.23
NEW ZEALAND 8 93	100	97½	98	-⅛	9.04
NIPPON CRED BK 9 3/4 93	150	101¼	101¾	+⅛	9.25
NIPPON TEL & TEL 9 3/8 95	200	100⅝	101	-⅛	9.27
NORDIC INV BANK 9 93	200	100⅜	100¾		8.81
OLYMPIA & YORK 8 1/4 96	435	88¾	89⅝	+1¼	11.13
ONTARIO HYDRO 11 5/8 94	200	103⅝	104⅛	-2½	10.21
OSTER KONTROLLBANK 8 1/8 93	200	98⅛	98⅝	-⅛	8.90
PRUDENTIAL RLTY SECS 0 99	365.216	45⅛	45⅜	-⅛	9.98
QUEBEC HYDRO 9 3/4 98	150	99⅝	100	+⅛	9.82
QUEBEC PROV 9 98	200	96	96½	+⅛	9.75
SAINSBURY 9 1/8 96	150	97⅝	98		9.66
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CREDIT FONCIER 5 1/4 94	20000	88⅛	88⅝	-⅛	8.70
DENMARK 7 95	40000	94½	94¾		8.55
EIB 4 5/8 94	40000	88⅛	88⅜		8.57
GENERAL ELECTRIC 5 3/4 93	35000	93⅝	94⅛	+⅛	8.65
INTER AMER DEV 7 1/4 00	30000	93⅝	94⅛		8.18
ITALY 5 3/4 92	150000	96¼	96½		8.67
KANSAI ELEC PWR 4 5/8 94	60000	87¾	88		8.72
NIPPON TEL & TEL 5 7/8 96	50000	89	89¼		8.27
NORWAY 5 1/8 95	50000	87⅞	88⅛		8.45
SWEDEN 5 5/8 95	20000	88½	89	-⅛	8.55
WORLD BANK 6 3/4 00	50000	91⅛	91½		8.10

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HILLSDOWN 4 1/2 02 £	150	4.16	99¼	100⅜	+71.32
INTL PAPER 5 3/4 02	200	68½	81⅝	82⅝	+25.65
LAND SECS 6 3/4 02 £	84	6.72	75	76	+11.01
MITSUBISHI BK 1 3/4 02	300	2727.1	63¼	65½	-4.83
OGDEN 6 02	85	39.077	69⅝	70⅝	+54.37
PACIFIC DUNLOP 6 3/4 97	75	3.749	101	102¼	+0.91
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	76¼	77¼	
THORN EMI 5 3/4 04 £	103	7.45	99¼	100¼	+26.83

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

Chile plans Eurobond as part of debt deal

By Tracy Corrigan

CHILE plans to launch a Eurobond via Manufacturers Hanover, the US bank, as part of a debt agreement between the republic and its bank creditors.

An official at Manufacturers Hanover in London said the issue would constitute new money, not a repackaging of existing debt.

It will be structured as a club deal, and the sovereign's creditor banks are expected to be the main buyers of the new debt.

The deal, expected to total $320m, will be more actively traded than a loan, but will not trade as a conventional Eurobond.

Interest on the bonds is expected to be in the region of 150 basis points above the London interbank offered rate.

The bonds are likely to have a five-year maturity and to be issued around par.

The transaction, which rewards Chile with fresh, relatively low-cost funds, is seen as offering an incentive for other debtor countries.

The deal is expected to emerge this autumn, assuming the banks agree to Chile's new schedule of debt repayments. Officials say Chile does not need the fresh funds urgently.

Banking in Bahrain stabilises

BAHRAIN'S banking sector is stabilising after the shock delivered to it by Iraq's invasion of Kuwait, Reuter reports from Bahrain.

Mr Abdulla Saif, governor of the Bahrain Monetary Agency, said: "Though it might be too early to attempt to quantify or assess the full impact of the Iraqi invasion of Kuwait, we like to remain optimistic.

"The gradual return of deposits to the banking system, and the return to normality has been manifested. We feel that the banking sector in Bahrain will ultimately re-emerge strong."

Mr Saif said the BMA had no plans to control money flows. Even at the peak of the crisis it had instructed banks to meet any requests to exchange dinars or make remittances, he added.

Confidence in the financial future of Bahrain, which is host to the Gulf's only offshore banking market, was badly damaged by Iraq's invasion of Kuwait.

The Bahrain offshore banking market had record assets of $73.3bn on March 31, according to BMA figures.

Post-invasion figures are not yet available but are likely to be significantly lower, Gulf offshore bankers said.

Many western and Asian banks, especially the Japanese, cut their normal funding business in and out of Bahrain immediately after the invasion, fearing a further escalation of the crisis, according to Gulf bankers.

BMA figures show that deposits in the Bahrain banking system on September 17 totalled BD1.27bn with BD1.5bn on July 31.

The BMA took several measures to ensure an orderly market, including advising banks to stop depositors breaking time deposits before maturity, liquidating assets and rolling over deposits where possible, and providing cash dollars to meet depositor demand.

Australian SE to start automated trading system

THE Australian Stock Exchange (ASX) is to move to fully automated trading through the Stock Exchange Automated Trading System (Seats) for all transactions from next month, Reuter reports from Melbourne.

ASX said all trading floors would therefore be closed from Friday September 29, except facilities required for trading in the Australian options market.

"This decision follows a short trial of dual trading, where all ASX stocks were traded on Seats and the most actively traded securities were also traded on the trading floor," the exchange said.

SA Brewing in Eurofunding

SA Brewing Holdings said its US and Australian finance arms had signed a new $200m Eurocommercial paper programme in Hong Kong, Reuter reports from Adelaide.

The facility replaces a $150m Euronote facility used by the company since 1987.

MINORCO

Notice to Holders of Bearer Share Certificates Payment of Coupon No. 6

With reference to the notice of proposed final dividend advertised in the press on September 21, 1990 the following information is published for the guidance of holders of bearer share certificates.

The dividend of 32 cents was declared in United States currency. Subject to the approval of shareholders at the Annual General Meeting on November 8, 1990, the dividend will be paid on or after November 13, 1990, against surrender of Coupon No. 6 detached from bearer share certificates as follows:

(a) at the offices of the Corporation's Continental paying agents:–

Banque Générale du Luxembourg, 14, rue Aldringen, Luxembourg, Grand Duchy of Luxembourg

Crédit du Nord, 6-8 boulevard Haussman, 75009 Paris

(b) at the London Securities Department of Barclays Bank plc, Stock Exchange Services Dept., 168 Fenchurch Street, London EC3P 3HP. Unless persons depositing coupons at such office request payment in United States dollars (in which case they must comply with any applicable Exchange Control regulations), payment will be made in United Kingdom currency either:–

(i) in respect of coupons lodged on or prior to November 6, 1990, at the United Kingdom currency equivalent of the United States currency value of their dividend on October 30, 1990; or

(ii) in respect of coupons lodged on or after November 7, 1990, at the prevailing rate of exchange on the day the proceeds are remitted to the London Securities Department of Barclays Bank plc.

Coupons must be left for at least four clear days for examination (eight days if payment in United States currency has been requested) and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the London Securities Department of Barclays Bank, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made the net amount of the dividend, after deducting United Kingdom Income tax at 25% will be 24 cents (United States) per share.

In the case of payments made in United Kingdom currency the sterling equivalent of the net dividend will be calculated in accordance with sub-paragraph (b) above.

Copies of the 1990 Annual Report of Minorco will be available after October 9, 1990 from the Registered Office of the Corporation and the offices of the paying agents referred to above.

By Order of the Board. N Jordan, Secretary. September 26, 1990
Minorco Société Anonyme. RC Luxembourg No. B12139

INTERNATIONAL CAPITAL MARKETS

Liffe revamps Japanese bond futures contract

By Deborah Hargreaves

THE London International Financial Futures Exchange has overhauled its Japanese bond futures contract in a bid to attract more users to the product.

The contract will be introduced next April and will become the first product to trade all day on APT, the exchange's electronic market.

The contract changes come after a couple of years of extensive research and consultations between Liffe and the Tokyo Stock Exchange. They address one of the central problems cited by the existing contracts' users over the lack of a link with the Tokyo market.

In its new guise, the contract in London will trade as a pre-market to Tokyo's futures market and traders will have the option of rolling their Liffe positions into the TSE contract without any price differential.

The exchange will ensure that traders can move easily between the markets by a unique arrangement which involves closing Liffe positions automatically at the end of each trading day and settling them in cash on the first available opening price for the Tokyo contract.

It will then be left to traders themselves to take out a corresponding position in the Tokyo market.

"Liffe traders will be taking out a short-term position in a longer-term futures contract," said Mr Nick Carew-Hunt at Liffe.

If the opening price in Tokyo differs from the closing Liffe price, buyers and sellers of Liffe contracts will be committed to making up the difference for settlement purposes.

Since all positions on Liffe will be closed at the end of each day, Liffe will carry no open interest in the bond futures contract.

Mr Carew-Hunt explained that the success of the contract would partly depend on the continued growth of the cash market for Japanese bonds in London. "But if we were even to see a volume of 5 per cent of Tokyo's trading level, we would see the contract providing what it is supposed to and that is a continuation of the Tokyo market."

Liffe's existing Japanese bond futures contract trades little over 200 lots a day compared with the TSE's daily volume of 65,000 contracts.

Some 20 per cent of Liffe's members are Japanese houses and the exchange said it was trying to attract these users to its new contract since they were the ones who would provide the liquidity. However, independent traders without a relationship with Japan would be able to trade the product on a daily basis.

The new contract is provisionally set to trade on APT from 7am until 5pm.

Commercial Union takes stakes in Italian concerns

By Richard Lapper

COMMERCIAL Union, the UK general and life insurer, is extending its presence in Italy by acquiring a 40 per cent equity interest in three subsidiaries of Akros, the Milan-based merchant bank, established by leading Italian companies in 1987.

The move follows last week's agreement with Credito Italiano to exchange 30 per cent shareholdings in respective subsidiaries, Mediofin and Commercial Union Vita.

Akros' principal subsidiary, Azimut Consulenza, is a direct sales force operation. Two other Akros subsidiaries offer fund management and trustee services. The agreement provides CU with access to an expanding network of financial consultants. CU Italia will form two new subsidiaries providing non-life and life products, distributed by the Azimut Consulenza sales force.

Bankers Trust team quits to form private firm

By Janet Bush in New York

A GROUP of 33 professionals have left Bankers Trust, the diversified US bank, and teamed up with Japan Leasing Corporation to form a private investment banking firm which will specialise in project and leasing finance, private placements and corporate restructurings.

The new company will be called Fieldstone Private Capital and will be based in New York with offices in London and Tokyo.

The majority will be owned by the former Bankers Trust professionals, five of whom are based in London, who will be partners with Japan Leasing.

Japan Leasing is a commercial finance and leasing company headquartered in Tokyo but with offices around the world. It estimates its assets at about $20bn. Japan Leasing will serve on the firm's advisory committee.

Five of the senior partners of Fieldstone were managing directors at Bankers Trust. Mr Charles Hill was former co-head of merchant banking; Ms Sharon Peterson and Mr Wesley Reynolds were co-heads of the bank's lease and project financing group; Mr Charles Quattrochi was former group head of high yield capital markets; and Mr Gaby Abdelnour was former managing director of merchant banking.

Mr Hill, who will serve as managing partner, said that the decision to set up a new company was made partly because he and his colleagues wanted to be able to avoid the conflicts of interest inherent in most Wall Street businesses which invest their own capital in equity deals as well as offer advice on deals to investors.

He said: "We want to emphasise our ability to give objective advice to our clients." He believes that a private company also avoids the pressures on earnings and performance that a public company must face.

The core business of the firm will arrange tailormade private placements for clients to finance unusual and technically complex deals.

Secretive market set to enter the spotlight

Simon London explains why the buying and selling of loan portfolios may increase

The buying and selling of loan portfolios in the secondary banking market could increase dramatically next year. Some banks, faced with stringent capital adequacy requirements, may be forced into a wholesale reduction of loan exposure.

Even institutions in a better position are concentrating resources on portfolio management, off-loading loans that are unlikely to yield profitable additional business in areas such as corporate finance. For the first time in many years, Japanese banks may be net sellers of assets in 1991.

However, the secondary loans market is opaque and secretive. Banks do not like to admit that they are pulling back from existing deals. Firm details of deals are hard to come by and the estimated size of the European secondary market varies between $10bn and $50bn. One leading player estimates the average size of secondary market trades to be around $2m.

Some secondary market sales represent a wholesale withdrawal of a bank from a commercial sector. For example, Chemical Bank openly sold its aviation-based loan portfolio in 1989. Bank of America sold its portfolio of home mortgage business as far back as 1976.

More frequently, banks are using the market as a portfolio management tool. For example, National Westminster is reported to be using the secondary market to manage its portfolio of UK commercial loan assets. The European secondary market for loans matured throughout the 1980s, with the development of new techniques and documentation. One key innovation was the introduction of "transferable loan certification" into standard loan documentation. This legal tool enables banks to trade loans with a minimum of paperwork. Most loans in the primary market now include this clause.

This means the secondary loans market now shares some features with securities markets, but does not have the liquidity. There is no standard clause, so due diligence is required before a trade can be agreed.

For this reason there are, as yet, no brokers or agents in the market, and trading remains investor driven. Demand comes often from continental European and Scandinavian institutions without access to quality loans business in the primary market, but which can buy "off the shelf" from big US commercial banks. It is still relatively rare for a bank to offer a menu of products to buyers.

Similarly, pricing of loan assets is described as a "non-scientific process", again driven by investor demand for specific loan business.

Now the secondary market may be entering a new phase of development, as banks come under increasing pressure to manage their balance sheets. Like the securitisation of loan business, secondary market sales could be a key method of maintaining capital adequacy. However, removal of loan assets from the balance sheet hinges on transferability.

Thus, although the US market is bigger in terms of volume, it is to some extent less sophisticated than in Europe because the use of standard "transferable loan certification" is more limited. In the US, trading generally takes place on a "sub-participation" model, where the original lending bank remains in the loan group as a "front" for the secondary market buyer. The original institution remains the lender of record in the loan agreements, channelling funds from the sub-participant bank to the borrower. If the sub-participant defaults on the loan, it is the original lending bank which is liable. But if the borrower defaults it is the sub-participant which suffers the loss.

This makes it more difficult for the original bank to remove the loan from its balance sheet, although the Bank of England has agreed that sub-participated loans can under certain circumstances be taken off the balance sheet. From the point of view of balance sheet management, sub-participation arrangements are generally less favourable.

However, such a structure does at least allow the lending bank to maintain a relationship with the borrower without being committed in cash terms.

Borrowers themselves have sometimes vetoed the outright sale of loans in the secondary market. For example, sub-participation agreements remain more prevalent in the US because borrowers are unwilling to accept outright transferability. This is partly because US syndicated loans have often been far larger than their European counterparts, with much larger syndicate groups. Under such circumstances US borrowers have wanted to maintain a stable banking group and to keep the names on the loan record static. There have even been cases of "undisclosed sub-participation" of debt, where the borrower was left unaware of the secondary market transaction.

Syndicate leaders are also keen to maintain the credit quality of a banking group, particularly on a revolving credit facility.

However, the pressure is on US and Japanese banks, many of which are over-extended, to manage loan portfolios and the secondary market is likely to expand accordingly.

If and when market volume does increase, both transparency and pricing may improve with it. The Gulf crisis has already forced a number of Middle East institutions to sell loan assets through brokers. If pain in the rest of the banking business intensifies, the role of the middle person may become established and lucrative.

BHH issues £90m mortgage-backed floater

By Simon London

COMMERCIAL property group BHH issued a ground-breaking £90m five-year floating-rate deal, backed by a pool of UK commercial mortgages. The triple-A rated paper pays 37½ basis points over the three-month London interbank offered rate.

Placed and wholly underwritten by Paribas Capital Markets, the issue is the first UK commercial mortgage-backed issue to be rated and listed in the Euromarkets. The issue is guaranteed by Financial Security Assurance, the specialist insurance company, with second recourse to BHH's commercial property portfolio.

Paribas reported that the paper had been placed with mainly European institutions and was trading around issue price of par. Until now UK mortgage-backed Eurobond issues have been restricted to the domestic mortgage sector. The BHH issue has overcome legal hurdles, so securitisation may now be able to extend into new areas. In the US, FSA was a pioneer of securitised corporate loan obligations and it expects this issue to presage a wave of loan-backed offerings in the Euromarkets.

The issue offers BHH funding at less than the cost of bank borrowings, its usual source of financing. Part of the proceeds will be used to repay preference share financing and to prepay all existing bank loans. An additional £27.5m will be used to finance commercial property acquisitions in the UK.

Elsewhere, Nikko Securities launched $100m 10-year subordinated issue for Japanese financial institution Ashikaga Bank. Like other capital-raising issues from Japanese banks, the paper was largely pre-sold to Far Eastern institutional investors and secondary market activity is likely to be thin.

The Ashikaga paper pays 35 basis points over Libor for the first five years and 45 basis points over Libor thereafter, slightly above the spread on similar issues for better known names in the sector.

For example, subordinated 10-year paper from Tokai Bank launched recently pays 30 basis points for the first five years and 40 basis points thereafter.

Nikko also acted as lead manager on an issue of $200m equity warrant-linked bonds for Shimano Industrial, despite a 418 point fall in the Nikkei Index on Tuesday in Tokyo.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Shimano Industrial Co.♦	200	(5⅛)	100	1994	2¼/1½	Nikko Secs.Co.(Europe)
Ashikaga Bank‡♦	100	(a)	100	2000	30bp	Nikko Secs.Co.(Europe)
LIRE						
IBM Int.Fin. NV♦(b)	150bn	12¾	101½	1994	1⅝/1⅛	BCI
STERLING						
BHH Int.Fin.Plc‡♦	90	(c)	100	1995	-	Paribas Cap.Mkts.

♦Final terms. ‡Floating rate note. #With equity warrants. a)3-month Libor + 35bp for first 5 yrs plus 45bp thereafter. b)Non-callable. Support agreement from IBM World Trade Corp. c)3-month Libor.

Amex delays options on Japan index

By Deborah Hargreaves

THE American Stock Exchange has postponed the launch of its Japan index option which was due to start trading yesterday.

The exchange says the delay is not due to the index being held up by the US Securities and Exchange Commission which has to approve new products.

The Amex says it has postponed the start to finalise last minute details.

The Tokyo Stock Exchange is understood to have expressed its concern about the product and has refused to agree an information-sharing arrangement with the exchange.

These agreements are usually prerequisites for US exchanges wanting to trade foreign stock indices.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Sep 25 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Sep 24 Index No.	Fri Sep 21 Index No.	Thu Sep 20 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (195)	665.34	+1.0	16.73	7.03	7.32	29.40	658.43	669.07	662.65	973.24
2 Building Materials (26)	829.48	+1.1	17.73	7.31	6.94	34.59	820.29	826.41	812.99	1173.23
3 Contracting, Construction (36)	994.71	+0.2	22.26	8.02	5.87	50.99	993.11	1020.20	1004.29	1580.36
4 Electricals (10)	1812.59	+0.4	15.51	7.36	7.88	73.06	1805.83	1828.08	1831.99	2866.51
5 Electronics (27)	1507.85	+1.4	10.88	5.33	12.49	56.74	1486.79	1513.08	1522.48	2132.56
6 Engineering-Aerospace (8)	404.09	+1.1	16.66	5.96	7.22	15.17	399.79	409.54	402.60	0.00
7 Engineering-General (46)	362.26	-0.3	16.62	7.17	7.23	15.76	363.21	368.14	364.97	0.00
8 Metals and Metal Forming (6)	386.56	+0.6	29.86	8.70	4.07	17.02	384.09	390.23	387.81	511.73
9 Motors (13)	265.52	+2.0	19.37	8.94	6.01	14.26	260.41	263.91	265.36	373.28
10 Other Industrial Materials (23)	1126.52	+1.6	15.29	7.26	7.56	56.53	1108.40	1127.90	1105.20	1772.70
21 CONSUMER GROUP (178)	1126.92	+0.5	11.01	4.59	11.22	29.31	1121.42	1137.12	1136.59	1347.54
22 Brewers and Distillers (22)	1382.10	+0.9	11.33	4.27	10.69	33.47	1370.10	1388.47	1389.74	1481.17
25 Food Manufacturing (20)	962.53	+0.3	12.13	5.08	10.17	24.61	959.38	977.00	978.78	1179.98
26 Food Retailing (16)	2227.81	-0.8	10.65	3.74	11.95	50.82	2245.36	2260.34	2262.88	2619.84
27 Health and Household (16)	2319.01	+1.1	7.66	3.21	15.49	47.38	2293.95	2342.54	2303.21	2555.34
29 Leisure (32)	1127.11	+0.9	13.28	5.54	9.11	36.79	1117.43	1117.99	1120.33	1781.64
31 Packaging & Paper (12)	476.55	-0.1	13.51	7.30	9.09	22.54	477.24	482.48	481.79	604.74
32 Publishing & Printing (16)	2868.52	-0.3	12.68	6.54	9.89	118.55	2878.17	2915.27	2960.70	3794.28
34 Stores (33)	721.57	+0.4	12.33	5.25	10.53	18.26	718.44	728.45	736.54	856.55
35 Textiles (11)	391.00	+0.6	15.42	9.22	8.21	19.76	388.59	394.15	398.15	574.11
40 OTHER GROUPS (107)	935.24	+0.3	13.62	6.39	8.88	31.51	932.53	951.33	949.24	1195.55
41 Agencies (16)	1054.82	+0.3	10.17	3.77	11.94	22.00	1051.28	1090.10	1077.93	1556.86
42 Chemicals (24)	954.41	+1.5	13.92	6.98	8.49	46.23	940.57	964.04	957.43	1302.14
43 Conglomerates (15)	1257.98	+1.7	13.45	7.97	8.94	35.71	1236.56	1256.03	1239.16	1688.95
44 Transport (13)	1764.78	-0.9	13.75	5.99	9.21	65.20	1780.92	1819.28	1818.67	2393.27
46 Telephone Networks (2)	1023.32	-1.0	13.08	5.50	9.95	26.09	1033.97	1056.09	1063.82	1169.76
47 Water (10)	1935.31	+0.7	15.93	7.00	7.06	68.12	1922.37	1946.34	1961.78	0.00
48 Miscellaneous (27)	1446.55	+0.1	14.54	6.27	7.90	61.39	1445.37	1467.09	1463.87	1945.87
49 INDUSTRIAL GROUP (480)	955.80	+0.6	13.08	5.68	9.36	30.96	950.55	966.10	963.18	1224.45
51 Oil & Gas (20)	2392.02	-1.7	10.44	5.23	12.54	84.75	2432.70	2459.67	2447.33	2205.56
59 500 SHARE INDEX (500)	1072.12	+0.2	12.64	5.60	9.78	35.28	1070.29	1086.83	1083.18	1307.74
61 FINANCIAL GROUP (107)	630.90	+1.5	-	7.53	-	31.27	621.68	633.97	639.57	807.30
62 Banks (9)	664.57	+2.2	24.59	8.64	5.32	41.50	650.43	665.98	663.00	826.43
65 Insurance (Life) (7)	1247.57	+1.2	-	6.15	-	54.97	1233.20	1276.01	1280.95	1207.78
66 Insurance (Composite) (6)	536.76	+2.0	-	7.91	-	27.35	526.46	542.90	552.72	658.78
67 Insurance (Brokers) (8)	765.26	+1.0	11.70	8.45	11.17	40.46	757.70	772.61	778.98	981.46
68 Merchant Banks (7)	322.21	+0.9	-	6.35	-	12.31	319.38	326.72	337.42	396.93
69 Property (47)	837.71	+0.4	9.08	5.86	14.60	24.52	834.72	853.90	845.75	1336.93
70 Other Financial (23)	235.20	+0.2	11.54	7.51	11.39	10.30	234.78	237.42	243.00	365.76
71 Investment Trusts (66)	971.05	-0.3	-	4.07	-	24.36	974.15	988.98	1001.20	1262.55
91 Overseas Traders (5)	1100.82	+2.0	13.08	8.37	9.10	59.65	1079.53	1112.32	1104.22	1427.70
99 ALL-SHARE INDEX (678)	965.39	+0.3	-	5.84	-	33.89	962.09	977.59	976.33	1186.44

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 24	Sep 21	Sep 20	Sep 19	Sep 18	Year ago
FT-SE 100 SHARE INDEX♦	1999.2	+8.9	2005.3	1986.5	1990.3	2025.5	2016.9	2065.8	2064.0	2336.1

FIXED INTEREST

PRICE INDICES	Tue Sep 25	Day's change %	Mon Sep 24	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	116.12	-0.04	116.18	0.01	9.49
2 5-15 years	120.51	-0.07	120.66	0.08	10.03
3 Over 15 years	120.96	-0.20	121.21	-	9.84
4 Irredeemables	139.59	+0.03	139.55	-	8.85
5 All stocks	120.91	-0.07	121.04	0.05	9.93
Index-Linked					
6 Up to 5 years	152.00	+0.14	151.78	-	2.46
7 Over 5 years	138.17	+0.13	137.99	-	3.12
8 All stocks	139.10	+0.13	138.92	-	3.06
9 Debentures & Loans	99.47	+0.30	99.17	-	8.93
10 Preference	72.34	+0.19	72.20	-	5.23

AVERAGE GROSS REDEMPTION YIELDS		Tue Sep 25	Mon Sep 24	Year ago (approx.)
British Government				
1 Low Coupons	5 years	11.05	11.03	9.98
2	15 years	11.04	11.03	9.48
3	25 years	11.04	11.03	9.37
4 Medium Coupons	5 years	12.10	12.07	10.95
5	15 years	11.55	11.53	9.90
6	25 years	11.27	11.25	9.50
7 High Coupons	5 years	12.18	12.15	11.05
8	15 years	11.83	11.79	10.10
9	25 years	11.58	11.55	9.65
10 Irredeemables†		11.15	11.15	9 42
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	4.57	4.63	3.28
12 Inflation rate 5%	Over 5 yrs.	4.32	4.33	3.58
13 Inflation rate 10%	Up to 5 yrs.	3.36	3.41	2.44
14 Inflation rate 10%	Over 5 yrs.	4.14	4.14	3.41
15 Debs & Loans	5 years	14.21	14.24	13.16
16	15 years	12.99	13.05	12.05
17	25 years	12.69	12.73	11.49
18 Preference†		13.06	13.08	10.39

♦Opening index 1991.9; 9 am 2004.6; 10 am 1997.2; 11 am 2000.8; Noon 1993.7; 1 pm 1987.1; 2 pm 1991.5; 3 pm 1998.3; 4 pm 1997.5; 4.10 pm 1998.0; (a) 9.03am (b) 12.37pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	13	54	26
Corporations, Dominion and Foreign Bonds	1	4	17
Industrials	282	497	782
Financial and Properties	123	250	368
Oils	15	33	42
Plantations	0	4	6
Mines	56	29	72
Others	28	104	104
Totals	518	975	1,417

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	131	100	ABI Leisure 10p	100		14.7	3.3	6.3	6.3
-	F.P.	-	7½	4	Bennett & Fountain Wts.	6½		-	-	-	-
-	F.P.	-	49	33	Exp Co of Louisiana Wts.	37	+2	-	-	-	-
2	F.P.	-	4	3	Finlan Group 1p	3½		-	-	-	-
-	F.P.	-	14	6	Fisher (Albert) Warrants	7		-	-	-	-
†	F.P.	-	75	43	Golden Vale Ir1p	44		u0158%	5.1	3.4	8.0
-	F.P.	-	24	22	JF Fledgeling Jap. Wrnts	22	-2	-	-	-	-
100	F.P.	-	98	77	Jupiter Euro Inv Trust	77		-	-	-	-
-	F.P.	-	38	23	Do. Warrants	23		-	-	-	-
§108	F.P.	-	116	101	‡Levercrest 5p	101	-1	R4.05	2.4	5.3	8.1
-	F.P.	-	44	14	Lucas Inds. Warrants	17	+1	-	-	-	-
-	F.P.	-	22	20	‡MMI 1p	22		†1.0	2.4	6.1	8.5
-	F.P.	-	7	4	‡Other Res Warrants	4		-	-	-	-
†	F.P.	-	17	11½	‡Paramount 2½p	11½	-½	-	-	-	-
-	F.P.	-	31	21	Paribas French B Wrrnts	22	-1	-	-	-	-
†	F.P.	-	53	41	‡Pelican 20p	41		-	-	-	-
100	F.P.	-	90	85	River & Merc Smaller Co	85		K3.75	-	5.9	-
-	F.P.	-	26	21	Do. Warrants	21		-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. § Offered to holders of ordinary shares as a "rights". † Introduction. ‡ Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings Sept. 17
- Last Dealings Sept. 28
- Last Declarations Dec. 27
- For settlement Jan. 7

For rate indications see end of London Share Service

Calls: Amstrad, Berisford Int., Conroy Pet., Hickson, Mountleigh, Richmond Oil & Gas, Tuskar Res.

LONDON TRADED OPTIONS

THE APPROACHING expiry of September futures and options and the difficulty of trading in the underlying equity market held the reins of the derivative markets yesterday.

Institutions dominated dealing in the September and December FT-SE contracts in the Liffe by rolling over from the September issue and into the December contract.

The September issue spent most of the morning around a 10-point discount to fair value. It was squeezed up by the US GNP figures and optimism over the S & Ps – the American futures – and Wall Street which both opened stronger than expected.

It ended up at 1,995, a 3-point discount to fair value, with a turnover of 9,097. The December issue which closed at 2,030, more than 20 points cheaper than its estimated fair value, issue saw its heaviest turnover so far – 5,390.

The continuing trend of FT-SE option business in the London Traded Options Market appeared early in the day when BZW made a heavy and bullish trade in Euro FT-SE options for one institution.

BZW bought 1,500 calls and sold 1,500 puts in the October issue as a synthetic future deal, a way of buying into the equivalent of 3m shares in the belief that the market is ready to climb again.

The deal made up the bulk of the EURO FT-SE's final 3,863 turnover which left it way above the equity options.

However, most of the business was mildly bearish and counting on a continuation of gloom.

Institutions realised that the market was still in decline but, because they have been light on stocks, they have been outperforming expectations and were ready to indulge in some portfolio reweighting.

The total turnover of 38,971 contracts (18,182 calls and 20,789 puts), and the turnover of 13,395 in the normal FT-SE option mirrored the previous day's levels.

The principal equity option stars were BP (with a turnover of 2,489), STC (1,323), Marks & Spencer (1,299) and British Telecom (949).

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied Lyons (*430)	420	20	38	53	8	20	25
	460	5	19	32	32	40	43
	500	3	8	18	73	73	75
ASDA (*112)	100	15	19	-	2	4½	-
	110	6	13	17	4½	8	10
	120	2½	8½	12	11	14	15
Brit. Airways (*146)	140	11	16	19	6	8	11
	160	3	8	14	18	20	21
	180	1	3½	5½	35	37	38
Utd. Biscuits (*313)	300	17	32	37	6	12	17
	330	3½	15	20	26	30	33
	360	1½	4½	10	55	56	58
Unilever (*597)	600	18	43	62	18	35	40
	650	4½	24	39	57	62	67
	700	2½	13	24	107	107	107
Ultramar (*353)	330	29	45	55	3	11	15
	360	11	26	37	14	22	27
	390	3	15	25	40	42	43

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Abbey Nat. (*203)	200	16	22	24	8	13	13
	220	8	11	15	19	23	24
Amstrad (*49)	50	6	8	11	5	6½	9
	60	2½	4½	7	13	13	15
Barclays (*305)	300	28	38	43	13	22	23
	330	14	26	28	30	37	38
Blue Circle (*188)	180	20	28	30	8	11	15
	200	10	19	19	18	22	27
British Gas (*212)	200	22	27	34	4	6½	8
	220	10	15	20	12	15	16

[illegible]

UK COMPANY NEWS

Scottish Widows makes agreed bid for Connell

By David Barchard

SCOTTISH WIDOWS FUND, the large Scottish mutual life assurance group, yesterday made an agreed £48.3m cash offer for Connell, the London-based estate agency chain which operates mainly in the south east.

The deal will give Scottish Widows, until now one of the few large insurance groups without an estate agency operation, a network of 112 residential agencies and 19 provincial commercial offices.

The existing board and senior management at Connell will be retained and Scottish Widows said yesterday that it would support plans by the Connell board to expand the network.

The deal is the latest step by Scottish Widows to broaden the ways in which its distributes its products to the market, by building up a network of appointed representatives among 100 companies, mostly brokers.

"The attraction of Connell's to us is the strength of itsmanagement team." Mr Alisdair Buchanan, marketing manager at Scottish Widows said.

Connell is the 12th largest chain in the UK and claims to be the largest remaining independent estate agency operation. In the past year the company has prided itself on its ability to stay in the black at a time when most agency networks are making heavy losses.

In the first half of the year, Connell's pre-tax profits rose by 12 per cent to £2.63m according to results announced yesterday by Mr John Simson, Connell's chairman. House sales by the agency reached 4,887, 28 per cent more than in the first half of 1989.

Mr Simson said Connell had remained profitable by cutting its costs at the outset of the recession in the housing market and was now well poised to take advantage of market improvements.

"This deal with Scottish Widows will now enable us to escape from the restrictions attached to being a small listed company in an unfashionable sector which have been a deterrent to growth."

Scottish Widows, who are being advised by Kleinwort Benson, are offering 194p per share, giving shareholders a 44 per cent premium on the closing price for Connell's shares on Monday night.

Mr Buchanan said yesterday that Scottish Widows had already purchased 30.1 per cent of the Connell equity.

The main shareholders of Connell outside the board include individual members of the Constantine family, 3is and Foreign and Colonial, and Legal & General, the life assurance group which owns 15 per cent of the company and whose own bid for Connell was turned down earlier this summer.

Yesterday Legal & General described the Scottish Widows offer as "very full" and said it was still considering its response.

Mecca £42m in red and no pref. dividend

By David Owen

MECCA LEISURE, which was taken over by Rank Organisation in a £490m agreed offer earlier this year, yesterday reported a £42.2m interim pre-tax loss and omitted to declare a dividend on its convertible preference shares.

The group said that it would consider the situation regarding the preference shares "once the audited accounts for the ten months to 31st October 1990 are available in January 1991."

Just under 15 per cent of the 304m shares remain outstanding.

"This is not a company in a fit state to be paying a dividend on its preference shares," said Mr Michael Gifford, managing director.

He added, however, that "there will be for many years a company called Mecca Leisure that is a subsidiary of the Rank Organisation."

Should the board of that company decide that it was capable of paying the dividend at some point in the future, then it would do so.

Trading profit for the six months to June 30 slumped to £29.9m from £49.1m in 1989, with the downturn particularly pronounced in the holidays and machines divisions.

Turnover moved ahead from £258m to £287.3m. Net interest costs of £27.2m (£17.5m) meant that profit before exceptional items amounted to just £2.7m (£31.6m).

The company took £44.9m of exceptional charges, the bulk of which were accounted for by a £28.4m writedown in respect of properties held for disposal and a £12.5m loss on the July sale of Maxims casino.

An unspecified profit which will arise on the sale of the Claremont casino was not included since, the group said, the sale was the subject of a conditional contract.

There was also a £5.8m extraordinary charge arising mainly from the cost of defending the Rank bid.

The deal created Britain's largest leisure group with annual sales of more than £1.6bn.

"The problem with Mecca Leisure Group is its balance sheet," Mr Gifford concluded. "We bought Mecca for the trading profit that we believe it will generate in the future and as a result of Rank's ownership."

Rank said that it had provided funds to Mecca and taken action to satisfy the immediate concerns of Mecca's bankers since its offer went unconditional.

Rank shares closed ahead 9p at 528p.

New outlets help lift Kwik-Fit by 4.5%

By Jane Fuller

KWIK-FIT Holdings, the retailer of tyres, exhausts and other automotive parts which opened 107 new centres last year, saw pre-tax profit advance by 4.5 per cent from £9.62m to £10.05m in the six months to August 31.

Turnover increased by 24 per cent to £120.81m (£97.07m) and operating profit by 18 per cent to £12.3m (£10.4m). Interest payments doubled to £2.92m (£1.47m).

The market, which had been expecting a pre-tax figure of between £6m and £8m, welcomed the performance with a 11p rise in the share price to 69p.

Mr Tom Farmer, chairman and chief executive of the Edinburgh-based company, said the group had recovered from a weak second half of last year, when operating profit fell below £5m because of expansion costs and the mild winter.

With the number of outlets totalling 609 in February, of which 450 were in the UK, this year's effort was focused on improving profit from the existing network.

In terms of sales, tyres accounted for 44 per cent, exhausts for 33 per cent and brakes, introduced last year, for 5 per cent.

Mr Peter Holmes, marketing director, said tyre sales had increased by 22 per cent and exhausts by 15 per cent. Both had improved market share.

According to Mr Farmer, the market for replacement exhausts was improving for the first time in three years. The trough had been caused by a switch to systems with a life of five years instead of three.

Turnover from supplying fleet operators with tyres and exhausts was on course to double to £30m this year.

Overall, gross margins had been improved by tighter controls, particularly of labour costs and stock.

Borrowings had been reduced by £4m to £40m, bringing down gearing from 70 to 60 per cent. Mr Farmer expected it to fall further as net openings would be only be about 10 this year.

Overseas, the group had profitable Dutch (110 outlets) and Irish operations, but was losing money on its French business. Mr Farmer said the UK accounted for almost all the profit.

Earnings per share rose to 3.93p (3.76p). The interim dividend is 1.1p (1.04p).

Tony Andrews

Tom Farmer: exhaust market improving for first time in three years

● **COMMENT**

The openings which ate into the previous half's profit have borne fruit in spite of the squeeze on UK consumer spending. The unexpected strength of the performance revived the theory that when people stop buying new cars they spend more on parts for their old ones.

However, the recovery in the share price might have been a bit overdone, bearing in mind the continuing trend towards more durable parts and constraints on demand, particularly on the corporate side where margins are tighter anyway.

Although the reduction of gearing was welcome, interest cover seemed a bit tight at little more than four in a good half.

The second half performance is partly dependent on the weather: the icier and saltier it is, the better. Upgraded forecasts range from £16m to £18m, giving a prospective p/e of between 10 and 11. Although interest is gingered up by Continental's 13 per cent stake, yesterday's price rise more than took the cheapness out of the shares.

Reebok expects third quarter earnings fall

Reebok International, the US sports footwear company in which the Pentland Group has a 31 per cent stake, expects earnings to fall from 44 cents to 33-35 cents per share in the third quarter to September 30.

The decline was mainly due to lower US sales of the Reebok brand shoes and higher advertising costs, Mr Paul Fireman, the chairman said.

However, the order backlog in the US was 15 per cent higher by mid-September, and sales growth in the fourth quarter should see earnings reach the level of a year ago at 30 cents per share for the quarter and $1.53 for the year.

Reebok reported earnings of 84 cents per share for the first six months, against 79 cents a year ago. It expects an improved performance in 1991.

Pentland, the consumer group, is seeking to sell its stake in Reebok. Last month it suspended the sale when Reebok shares slid to $13½, from $18 in June.

Richmond Oil plans to raise a further £31m

By Richard Gourlay

RICHMOND OIL and Gas, the start-up US energy development, company yesterday announced plans to raise £31m ($57m) to help acquire and develop oil and gas interests in Texas. The company came to the London market last July with a poorly received public launch.

The 26m new shares will be placed at 125p with institutions with a clawback for existing shareholders on a 2-for-5 basis. The placing will be underwritten by County NatWest and Gilbert Eliott. The shares closed yesterday down 11p at 130p.

Richmond is paying $85m (£46m) for the 93,000 acres Johnson Ranch Property in Loving County, Texas, some 52,000 acres of which is freehold. The property has 8.29m barrels and 336bn cubic feet of proven and probable oil and gas reserves.

The proceeds of the placement will be used for an immediate $33m payment to the former owners, majority held by Merrill Lynch Interfunding of New York, and will add about $24m to working capital to help develop more than 200 new oil and gas well locations. The company will be taking on £28m of debt.

Richmond and Merrill Lynch agreed the purchase price in June, before the current rise in the oil price. It is already operating a lease on 3,000 acres of the Johnson Ranch, where it produces the bulk of its 600 barrels of oil and 2m cubic feet of gas a day from 23 wells.

Richmond's public launch last July was one of the least successful issues the London market has seen. Only 12.2 per cent of the £20m share offering was taken up after the market reacted cautiously to Richmond's lack of track record.

Polly Peck revives dormant Swiss offshoot

By Haig Simonian in Nyon, Switzerland and Clay Harris in London

POLLY PECK International has revived a dormant Swiss subsidiary whose registered purposes are identical with the businesses carried on by its parent company.

The company, Elbise SA, is legally based at the same converted farmhouse in the Swiss village of Givrins as Nadir Investments, a private investment company linked to Mr Asil Nadir, Polly Peck's chairman and chief executive.

In London, Polly Peck said Elbise had "recently been revived to pay the salary of Mr John Botfield, a Swiss citizen, who co-ordinates Polly Peck's transport operations for Europe out of Switzerland."

Despite this limited role, the statutes of the revived Elbise – dated May 7 of this year – list its activities as trading in fruit and vegetables, textiles, clothing, electronic goods and packaging materials, all businesses in which Polly Peck is engaged or was at the time.

Formerly headquartered in Fribourg, Elbise was transferred in May to the Domaine de Leydefeur, the Givrins headquarters for Nadir Investments.

Elbise, which means suit or dress in Turkish, was listed as a subsidiary in Polly Peck's accounts for the year to July 31 1987, but has not appeared in the accounts for the two subsequent years. It will be listed in the accounts for 1990, Polly Peck said.

Mr Botfield, one of Elbise's two listed executives, said yesterday from his Swiss office that the company was purely involved in co-ordinating Polly Peck's international transport activities. According to Mr Botfield, it was understandable to list Elbise's activities as being so similar to those of Polly Peck, in view of its transport function for the group.

Asked why such Elbise should be based in a Swiss hamlet, rather than at Polly Peck's London headquarters or elsewhere, Mr Botfield drew attention to Geneva's good transport links and its convenient location in the middle of Europe.

A Swiss resident for the past 26 years, Mr Botfield said he had no links with Nadir Investments, or with any of the staff based at the Domaine de Leydefeur. "I have no idea at all what it [the company] does," he said.

Mr Botfield said he had met Mr Jason Davies, the former UK stockbroker who lives in nearby Founex, a number of times, but he said he did not have close links with Mr Davies or any idea of his whereabouts. Mr Davies' transactions in Polly Peck shares have been investigated by the Stock Exchange's insider dealing group.

Mr Botfield said Elbise, which now has its offices in the village of Gingins, a few minutes away down the road, had been resident at the Domaine de Leydefeur only for a short period.

However, official records at the commercial register at Nyon, the main administrative centre covering Givrins, give no details of the latest change of location.

Mr Botfield took his present position at Elbise on May 29, according to the official register. Meanwhile, Mr Robert Fehlmann, a resident of Geneva, is listed as being the company's administrator as of May 9. The official records at Nyon also confirmed that Mr Davies became a director of Nadir Investments on May 14 this year.

Mr Davies's appointment as the fifth member of the company's management came seven months after an increase in Nadir Investment's capital to Sfr200,000 from Sfr50,000.

Although Mr Asil Nadir himself is not listed as an executive of Nadir Investments, a communal official at Givrins said that his application for a residence permit had described him as the *administrateur* of Nadir Investments.

The official also said Mr Nadir's one-year residence permit had expired on September 1. His lawyer had told the official that Mr Nadir was not at present in Switzerland, but that the formalities for renewing his permit would be completed shortly.

Mr Nadir has been seen in the village of Givrins from time to time, according to residents. Official matters, such as the renewal of his residence permit, are handled by his lawyer, Mr Jean Heim.

Mr Heim, a prominent Lausanne-based attorney, is also chairman of Nadir Investments. He was unavailable for comment yesterday.

See Lex

Espirito Santo makes over $35m

With good results across almost the whole range of businesses, Espirito Santo Financial increased first half pre-tax profit from $26.7m to $35.17m, or £18.6m.

The company is Luxembourg based, and is the holding concern for the international financial activities of the Espirito Santo Group.

Most important operations are in Portugal, where it anticipated benefiting from the growth in the economy. It also operates in Switzerland, France and Spain, and is looking at the possibilities of starting in the UK.

Net income for the half year was $14.5m ($13.24m), or $1.85 ($1.90) per share on increased capital.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Baltic	int	1.83	-	1.7	-	4
Blockleys	int	1.95	Nov 2	1.95	-	4.81
BM Group	fin	1.4	-	1.2*	2.6	2*
Brown & Jackson	int	0.6	-	0.5	-	1.7
Connell	int	nil	-	3	-	9
Dean & Bowes §	int	2.75†	Oct 31	2.75	-	6
Domestic & Genl§	fin	7	Nov 29	6.5	10.5	8.25
Estates & Genl	int	1.225	Nov 8	1.225	-	3.75
Finlay Pkg	int	0.75	Oct 31	0.75	-	4
Folkes	int	0.55	Nov 16	0.45	-	2.05
Headlam	int	0.75	Nov 15	0.75	-	2.4
Hibernian Group	int	1.75♣	Oct 15	1.6	-	4.8
Ipeco	int	1.2	Nov 9	1	-	3
Kwik-Fit	int	1.1	Nov 19	1.04	-	2.4
Mecca Leisure	int	nil	-	2	-	5
PFG Hodgson	int	2.1	Nov 16	-	-	-
Rathbone Bros §	int	2	Nov 14	1.6	-	6.6
Ricardo	fin	3.8	Nov 30	3.65	5.7	5
SEET	fin	nil	-	3.7	1.6	5.3
Tarmac	int	3	Dec 10	3	-	11.25
Yule Catto	int	2	Nov 16	1.9	-	4.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish currency throughout.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- BSG Intl., Billam (J), Boddington, Bostrom, Carbo, Clifford Foods, Dagenham Motors, Dencora, Evered, FBD Hldgs., Geest, Hampden Homecare, Hogg, Hopkinsons, Kingston Oil & Gas, Riva, Serif-Cowells, Spirax-Sarco Engineering, TDS Circuits, Worcester, World of Leather.

Finals- Allied Leisure, Elsco, Gent (S.R), Intl. Media Comms., North American Gas Inv. Tst., Renishaw, Unigroup.

FUTURE DATES

Interims-

Abtrust New Thai Inv.	Oct. 3
Avonmore Foods	Oct. 1
German Smaller Co's. Inv.	Nov. 6
How	Sep. 27
Sale Tilney	Sep. 27
Stylo	Sep. 28
Time Products	Oct. 3

Finals-

Druck Hldgs.	Oct. 4
European Leisure	Oct. 1
Lloyds Chemical	Oct. 2
Specialeyes	Sep. 27
TSW Hldgs.	Oct. 4
UDO Hldgs.	Oct. 25

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UK COMPANY NEWS

Shares in PFG Hodgson slip 9% on results

By Andrew Hill

SHARES in PFG Hodgson Kenyon International slipped nearly 9 per cent yesterday after Britain's largest quoted funeral director disappointed the City with first-half profits of £6.31m before tax.

PHK said the profits – the first six-month figures since last July's merger – were 19 per cent ahead of the equivalent last year for the two merged companies, Hodgson Holdings and Kenyon Securities.

But investors were upset by the news that PHK's attempt to carve a larger niche in the monumental masonry business had failed to match management expectations.

The division – the largest after the core funeral business – lost £65,000 in the first half and is unlikely to show benefits of reorganisation until the second quarter of 1991. Analysts had expected the division to make £1m or £2m this year and PHK's shares slipped 13p on the day to 137p.

PHK's borrowings were also somewhat higher than expected at £25m. That included £6m of finance for the group's new fleet of limousines and hearses.

Interest charges knocked £1.54m off operating profits. The group also had trouble selling surplus assets because of the tough property market.

As chairman of Hodgson Holdings, Mr Howard Hodgson, PHK's chief executive, pursued a policy of rapid expansion by acquisition. PHK's growth was more likely to be organic, the group said yesterday.

Only seven acquisitions were made during the first half of 1990 for just £1.6m. With the UK death rate static PHK cannot count on the funerals division for growth, and may rely on diversified operations such as executive limousine hire.

Group turnover was 10 per cent higher at £26m, than equivalent figures in the first half. Earnings per share reached 7.5p and the group declared a second interim dividend of 2.1p. The first interim, for the three months to December 31, was 1.2p.

Some 24 per cent of PHK is owned by Pompes Funèbres Générales, the funeral directing subsidiary of Lyonnaise des Eaux, which has just merged with Dumez, the construction company.

Receivers in at Musterlin as banks refuse support

By Andrew Jack

MUSTERLIN GROUP, the troubled USM publisher, has gone into receivership under the shadow of heavy borrowings. Its shares were suspended on Monday.

Barclays Bank, the company's principal bankers, appointed an administrative receiver after the collapse of negotiations to sell and re-finance Musterlin last Sunday.

"It is a very sad outcome, particularly for individual shareholders," said Mr Peter Nutting, chairman. "I don't think the company was very cleverly run in the past, but it could have been saved."

He estimated that a further £500,000 loan was required to cover regular seasonal borrowing requirements in the run-up to Christmas. "Unfortunately the bank felt unable to increase its £7m exposure," he said.

"The burden of interest was crucifying and there were substantial trading losses for the first six months of the year." Net debt stood at about £10m.

Mr Nutting and another director were appointed to the board last May after Musterlin revealed pre-tax profits of £384,000 in the year to December 31 1989, against expectations of about £1.4m.

The chairman and a non-executive director resigned in July following a warning of "a very significant loss" for the interim results.

Swiss stake in Leica up

DR STEPHAN Schmidheiny, the Swiss businessman, has taken his stake in Leica to 81.6 per cent following the sale by Dr Terence Gooding, former chairman, of his family's 10.5 per cent interest in the USM-listed optics company, writes David Owen..

Dr Gooding resigned his post earlier this month at the group's AGM. He was previously chairman of Cambridge Instrument, the UK company which formed Leica through its merger with Wild Leitz, the Swiss camera and optical instruments group earlier this year.

Mr Markus Rauh, Leica chief executive, said that it was "definitely not" Mr Schmidheiny's intention to go private.

The merged entity is among the world's leading optical equipment groups with an annual sale of £500m.

Dr Schmidheiny, whose directorships include Nestlé, Union Bank of Switzerland and ABB Asea Brown Boveri, paid 70p per unit for the additional shares. In London, Leica closed down 2p at 46p.

Shares in Goode fall after profit warning

By Andrew Bolger

SHARES in Goode Durrant fell 9p to 90p yesterday after shareholders were given a profits warning by Mr Michael Waring, chairman of this vehicle, housebuilding and finance management group.

The shares fell although Winnedael, a company controlled by trusts associated with the Nash family and registered in the British Virgin Islands, announced that it had lifted its stake in the group from 19.8 per cent to 22.22 per cent.

Mr Waring reminded yesterday's AGM that in July he had told shareholders he feared the year to next April would be demanding and said Goode Durrant could not be immune from the present economic climate.

He added: "Our first-quarter results indicate that, while all divisions are trading profitably, some are unlikely to achieve the levels of profits anticipated for the half year."

Mr Waring said that pre-tax profits for the current year were unlikely to match the record level of £13.5m achieved in the year ended April 30 1990 but were nevertheless expected to exceed the £11.2m for the previous year.

A motion to re-elect two directors was carried by 73 per cent to 27 per cent after Winnedael requested a poll. Mr Tim Nash, a director of Winnedael, said he had nothing against the two directors personally, but opposing the motion was the only way open to his company of opposing the current board's stewardship of the company.

A resolution to renew the directors' right to issue new shares was approved by 70 per cent to 30 per cent. However, because it was a special resolution it required a 75 per majority and therefore failed.

Mr Nash declined to elaborate on his company's intentions regarding its growing stake in Goode Durrant. However, he said he was anxious to see the group focus its current activities, which were all exposed to the same part of the economic cycle.

Dean & Bowes

Dean & Bowes has increased its pre-tax profit by 12.5 per cent, from £1.52m to £1.71m, in the opening half of 1990.

The group designs and refurbishes licensed premises, hotels and leisure centres. It is quoted on the USM but has decided to go for a full listing as soon as practicable.

The acquisition of Muschter Beheer Ter Aar, of Amsterdam, gave the group a significant foothold in Europe.

Turnover in the half year advanced 45 per cent to £19.2m (£13.27m). Earnings per share came to 7.2p (7.3p) and the interim dividend is held at 2.75p.

Meat trader who may face a financial abbatoir

Banks take a vital decision today on Goodman International, Kieran Cooke reports

The future of Goodman International, Europe's biggest beef processing and exporting company, could be determined by a vital meeting in Dublin today of more than 30 banks.

The banks, owed more than I£450m by Goodman International, will decide whether or not to give further emergency funding to the group. This is a crucial stage in the effort to keep the group afloat which is being made by Mr Peter Fitzpatrick, the examiner appointed to Goodman International by the Dublin High Court under legislation rushed through the Irish parliament late last month.

Mr Fitzpatrick says that existing funds will be exhausted by the end of this week. If the banks refuse funding today, he will either have to look elsewhere for additional cash – or consign Goodman International to the financial abbatoir.

The High Court has asked him to report by October 10 on whether Goodman International can be saved. He will conclude it can, but only if there is a way to refinance or restructure the company's huge debts. For that he needs the co-operation of its bankers.

But some of the banks which have lent money to Goodman International have doubts, to say the least. They feel that Mr Larry Goodman, head of the labyrinth of private companies which come within the Goodman group, misled them.

Quite how more than 30 banks, including some of the top names, allowed themselves to become so deeply involved in the Goodman debacle is far from clear.

Bankers were clearly impressed by the mystique surrounding Mr Goodman. They believed he was a man of vast private wealth. They understood him to have close connections with senior figures in the Irish government. But they apparently did little research into how Goodman International was structured or the state of its financial affairs.

Having advanced substantial loans, most of them made over an 18-month period in 1988-89, they failed to monitor how the cash was used. Most crucially, they did not ask for any security and were ready lenders. Now they are desperate to recover at least some of their money.

Late last month the banks discovered their mistake. when they were summoned to a meeting in London on August 22. It quickly became clear that Goodman International's financial affairs were in a parlous state.

They found out that Goodman International, part of Mr Goodman's web of companies, had built up bank debts of I£460m, plus another I£200m in bank guarantees. These sums were well in excess of the group's assets.

Bankers were staggered by the news. They had not realised how many credit lines had been opened. Mr Goodman had shown no particular favouritism in his fund raising exercises.

Banks' headquarters ranging from Tokyo to Helsinki and from Vienna to New York were involved. Dutch, German and French banks seem to have been particularly badly hit.

According to sworn statements made by bankers to a Dublin court last week, funds lent to Goodman International for trading and processing of livestock had instead been used by Mr Goodman for other activities, including loss-making investments in Berisford International, the property, sugar and commodities company, and Unigate, the UK dairy group.

Debts of I£180m owed by Iraq, one of Goodman's main customers, had been allowed to pile up far in advance of the Gulf crisis which finally put a stop to any hopes of payment. Unexplained loans of I£35m had been made to a private individual out of Goodman funds.

One banks' affidavit asserted that figures showing the financial state of Goodman International "could not be easily reconciled with one another . . . the package as a whole, however, confirmed that Goodman International was insolvent."

The four banks which took last week's Dublin court action to be given greater access to Goodman assets – Amro and ABN of the Netherlands, Commerzbank of West Germany and Banque Indosuez of France – have more than I£120m in loans outstanding to Goodman International.

The banks say that earlier this year they were led to believe that Goodman International was in a sound financial position. As late as mid-August Mr Goodman had told Commerzbank that his working capital position was "quite comfortable" and that the company expected to make a profit of I£17m in 1990.

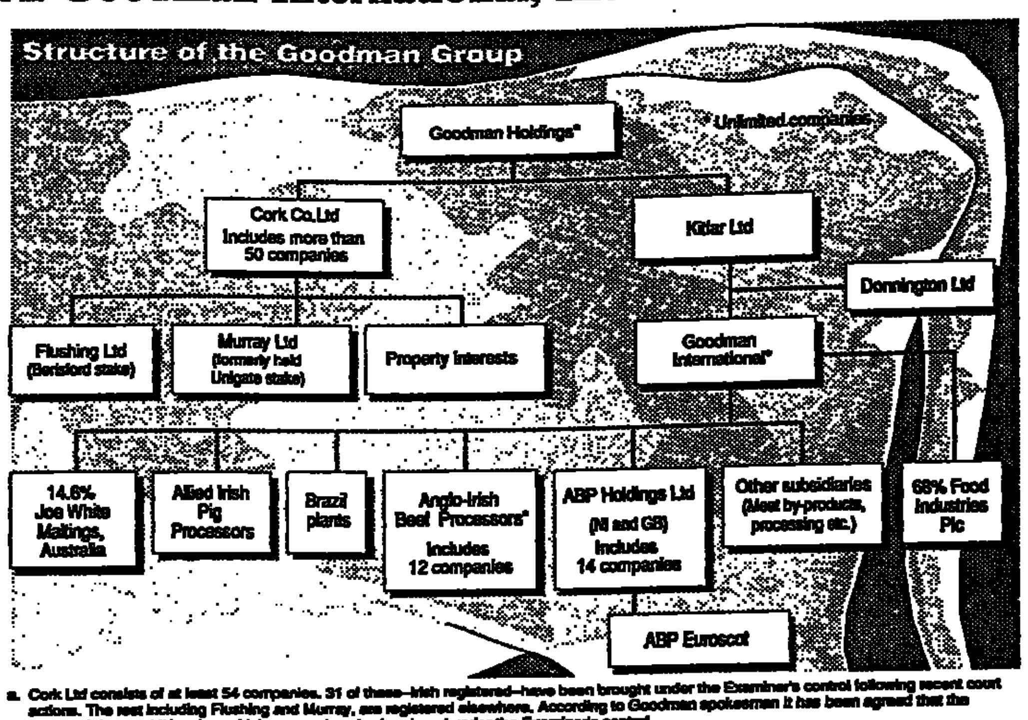
The banks also claim they were given the impression that Irish government insurance covering Goodman exports to Iraq – withdrawn by the Government late last year after certain "statistical discrepancies" came to light – was to be reintroduced. The Government has strenuously denied this and the suggestion made in court last week that Mr Goodman had the support of senior ministers.

Significantly, Allied Irish Banks, bankers to Goodman for more than 25 years, apparently reduced its once large exposure to the company in recent months. AIB is now believed to have debts with the company of less than I£3m.

Perhaps AIB, Ireland's largest bank and closest to the Goodman action, saw the writing on the wall. But conversely AIB is now more aware than others of the crucial importance to the Irish economy – and to thousands of AIB farmer account holders – of keeping Goodman International alive.

Goodman handles more than 40 per cent of the annual cattle slaughter and owns much of the infrastructure of the industry. Beef exporting is important to the Irish economy, with beef exports worth just over I£1bn last year – 7 per cent of the country's total exports.

So far Mr Fitzpatrick admits he has only been firefighting, trying to raise funds to keep operations going. If bankers cry for blood at today's meeting and refuse extra funding, his job will be made next to impossible.



a. Cork Ltd consists of at least 54 companies. 31 of these–Irish registered–have been brought under the Examiner's control following recent court actions. The rest including Flushing and Murray, are registered elsewhere. According to Goodman spokesman it has been agreed that the assets of these additional non-Irish companies also be placed under the Examiner's control.
b. Kitlar is a composite of the names of Mr Larry Goodman and his wife, Kitty. (one of the Cork companies is named Larkit)
c. Nothing has become publically known as yet about the activities of Donnington Ltd.
d. More than 90% of the shares in both Goodman Int. and Goodman Holdings are held by Mr Larry Goodman.
e. Goodman Holdings and Goodman Int. are registered in Ireland. Kitlar is Channel Islands registered. Cork Company is registered in Liechtenstein.

PROVISIONAL LIST OF LENDING BANKS

The total exposure of the banks is more than I£450m, plus bank guarantees of I£200m.

The banks with a known exposure include ABN, I£28.9m; Amro, I£30.6; Bank of Ireland, I£20m plus; BNP, I£9.5m; Banque Indosuez, I£20m plus; Barclays Bank, I£7.4m; Commerzbank, I£35.1m; Lloyds Bank, I£20m plus; National Irish Bank, I£5m; Ulster Bank, I£17.9m.

Banks with unknown exposure include Allied Irish Banks, Arab Bank, Banco Bilbao Vizcaya, Bank of America, Banque Worms, Credit Agricole, Credit Lyonnais, Credit Suisse, Dai-Ichi Kangyo, Den Danske, Girozentrale Vienna, Jyske Bank, Kansallis Osake Pankki, RZB, Vienna, WestLB, Swiss Bank Corp, Union Discount, Edinburgh.

UK COMPANY NEWS

Mixed fortunes as interim profits decline by 9.7%
Chemicals setback hits Yule Catto

By Maggie Urry

YULE CATTO, the speciality chemicals, building products and plantations group, suffered a 9.7 per cent fall in pre-tax profits in the half year to end June, but increased the interim dividend to from 1.9p to 2p. The group's shares slipped 3p to 94p.

Lord Catto, the chairman, said the results reflected "mixed fortunes" with the UK businesses suffering while overseas activities made "good progress". He said "the outcome for the current year is subject to some uncertainties in the present financial climate". However, he concluded that the businesses would make progress again when conditions improve.

The group's speciality chemicals business was responsible for the profit downturn – its operating profits fell 22.1 per cent to £7.5m. This compared with a strong performance in the first half of last year, and the profit fall was exacerbated by the later timing of some large sales contracts which will come into the second half this year. Difficulties in passing on raw material price increases squeezed margins.

Group turnover was 2.8 per cent lower at £118.4m, and operating profits 7.8 per cent down at £10.9m. This included a rise of 38.2 per cent in the building products division, to £3m. This does not include profits from Unilock, bought in August for £24.6m, and two smaller acquisitions.

The agriculture and land business increased operating profits 20.8 per cent to £987,000, though this included an unspecified contribution from housing development in Malaysia, a business which has now been sold. Excluding this, profits reduced because of lower prices for palm oil and latex.

Net interest charges were marginally higher at £1.5m. But, Mr Allister McLeish, finance director, said this would rise in the second half as the impact of the cash purchase of Unilock took effect.


Lord Catto: overseas activities made good progress

Group gearing has risen to close to 80 per cent. After a lower tax rate, earnings per share fell 7.5 per cent from 6.7p to 6.2p.

● COMMENT

Yule Catto is a somewhat ignored stock. In fact it is less exposed to the UK economy than most and has a broad spread of activities. Its building products business, which makes no sales to domestic housing, has performed well and will benefit from the latest acquisitions next year. The balance sheet is a cause for some concern, but with positive cash flow the level of gearing will come down and interest cover is satisfactory. There probably will not be any further deals for a while. The group cannot escape the present economic trauma but its profits will slip rather than plunge. This year pre-tax should reach around £20m, against £21.3m, and there could be another slight fall next year. A 1991 p/e of around 7.5 and a yield this year of 6.7 per cent, assuming another small increase in the final, is not a demanding rating.

British Telecom sells Welsh facility to STC

By Michael Skapinker

BRITISH Telecom is to sell its telephone manufacturing facility in South Wales to STC, the UK communications group, for £11m.

British Telecom has said that it wants to withdraw from its manufacturing activities to concentrate on the provision of services.

STC, which is selling its computer subsidiary ICL to Fujitsu of Japan, has indicated that it wants to become a world-class telecommunications manufacturer.

The manufacturing facility at Cwmcarn, South Wales, makes the Vanguard, a telephone which BT offers to its rental customers. As part of the agreement, STC will continue to provide BT with Vanguard telephones for up to three years.

Neither party would discuss the sums involved in the agreement, but it is understood that STC will earn more than £50m for the provision of the telephones.

The facility, which employs 900 people, also includes a telephone refurbishing activity and a label production business. STC will only take over the telephone manufacturing facility and 700 of the staff.

STC said yesterday that the additional manufacturing capacity would enable it to tackle new markets in continental Europe, which are opening up to foreign competition. The company already has a telephone manufacturing plant in Monkstown, Northern Ireland.

Mr David Dey, managing director of BT's Communications Systems Division said: "Selling the facility will enable us to devote more resources and management skills to our main business activity, increasing efficiency and improving service to customers."

Earlier this year, BT put up for sale its 51 per cent stake in Mitel, the Canadian manufacturer of computerised telephone switchboards. It has so far failed to find a buyer.

SEET falls into the red and passes final dividend

PRE-TAX losses for the year to April 30 at SEET came out at £336,000 against profits last time of £202,000.

The result follows an interim loss of £133,000 and the Edinburgh-based textile company is passing the final dividend, leaving payment for the year at 1.6p against 5.3p.

Mr Jock Mackenzie, chairman, said that although the company was affected by the general downturn in textiles it maintained its competitive position and would benefit from any recovery.

He added that in the first four months of the present year turnover at Peter Macarthur, the tartan manufacturer, had increased by almost 20 per cent but margins had been reduced.

Sales of Harris Tweed continued to be depressed.

Group turnover was lower at £8.15m (£9.52m) with losses per share of 10.78p (2.32p earnings).

There was an extraordinary charge of £638,000 (£144,000) including provisions for the loss on the sale of Elegance (Holdings) and a write-down in the value of the group's holding in Tace.

Rathbone moves ahead by 19%

Rathbone Brothers, the USM-quoted financial services group, lifted pre-tax profit by 19 per cent, from £1.06m to £1.26m, in the first half of 1990.

Turnover rose 27 per cent to £3.89m (£3.07m), while earnings reached 11.36p (9.81p) and the interim dividend is raised to 2p (1.6p).

Domestic & General profit surges by 42% to £3.4m

By Richard Lapper

DOMESTIC & General, the specialist domestic appliance breakdown insurer which was floated on the Stock Exchange in 1988, reported pre-tax profits of £3.4m for the year ending 30 June 1990, an increase of 42.2 per cent.

Earnings per share increased by 45.9 per cent to 31.37p compared to 21.5p last year.

A final dividend of 7p per share is proposed, making a total of 10.5p for the year, an increase of 27.3 per cent.

Mr Martin Copley, chairman, said that sales of extended warranty policies (one to five year insurance covers that extend manufacturers' guarantees by up to five years) for domestic appliances had proved resilient despite lower retail sales of both brown and white goods.

Premium income during the twelve months rose to £20.9m compared to £14.4m last year.

"Realistic premiums for business written up to five years ago and careful claims control ensured modest underwriting profits," said Mr Copley.

The company claims that customers are becoming increasingly aware of this type of insurance product and retailers, who earn a commission on each policy they sell, are marketing the policies aggressively, partially to compensate for depressed sales.

In addition D&G is winning a high level of response from its direct mail marketing efforts. Sales by direct mail now account for around 50 per cent of premium income compared to five per cent in 1985.

The group's Bedworth-based claims centre handles 18,000 claims a month. "Efficient administration of a high volume of small-ticket policies is essential to our business" said Mr Copley.

Investment income, mainly earned on cash deposits or by the group's personal loan subsidiary, Copley Ltd, rose from £2.49m to £4.08m. The group has eschewed the equity markets and property investments.

The group has decided to close down its network of appliance installation outlets, acquired 18 months ago. According to Mr Copley the purchase had not "lived up to expectations.

Profit margins available on domestic appliance installation, and specifically gas cookers, "have proved to be inadequate to suport the infrastructure necessary for a national network," added Mr Copley.

NEWS DIGEST

Ricardo up 50% after SAC merger

RICARDO Group, the engines and transmissions designer which merged with SAC International earlier this year, raised taxable profits by 50 per cent for the year to June 30.

The profits rise from £2.56m to £3.83m is based on acquisition accounting and comprised 12 months of Ricardo and three and a half months of SAC, which contributed £830,000.

Turnover more than doubled to £33.02m (£16.01m), with SAC accounting for £14.36m. Interest revenue rose to £238,000 (£86,000) and tax increased to £1.13m (£722,000). There was no extraordinary item, against £827,000 previously.

Earnings per share work out at 13.9p (12.6p), and a final dividend of 3.8p (3.65p) is recommended making a total of 5.7p (5p).

Mr Roger Smedley, the chairman, said the merger had helped the group to cover more industries, and become a leading mechanical engineering design consultant with international capabilities.

The group planned to change its name to Ricardo International.

Youghal Carpets I£871,000 in red

Reduced demand in the UK because of high interest rates hit Youghal Carpets in the first half of 1990, and its pre-tax loss rose to I£871,000, or £800,000.

That compared with I£163,000 last time, which had increased to I£1.26m by the year-end.

The directors said there were no immediate signs of an improvement in market conditions, so attention was being focused on further rationalisation to cut costs and align production capacity to demand.

Overall, turnover fell to I£27.7m (I£34m) and operating profit to I£138,000 (I£609,000). The group's interest charge came to I£1m (I£772,000).

Administrative costs knock Antofagasta

A £1.81m increase in administrative expenses to £4.05m was the main contributor to a 4 per cent reduction in pre-tax profits at Antofagasta Holdings, the London-quoted group with a variety of industrial interests in Chile, in the first half of 1990.

The company added that the taxable result – £14.57m – was struck in spite of a 15 per cent fall in copper prices and a steadily appreciating pound. The group has increased its share in the Cerro Negro copper mine to 66.6 per cent and has consolidated its full share of the results of Banco O'Higgins.

Group turnover rose some £1m to £26.01m. Net interest receivable tumbled to £548,000 (£1.53m). Below the line, there was a charge of £1.9m for exchange and inflation (credit £1.42m). Earnings were 38p (42.3p). The interim dividend is maintained at 6p.

Exceptional items depress Unigroup

Taxable profits at Unigroup, the industrial holding company with interests in building, products, clothing, timber and communications, fell by £473,000 to £713,000 in the year to June 30.

Operating profits were down at £1.23m (£1.47m), but this was compounded by an exceptional loss of £190,000 (profit £34,000) relating to foreign exchange translation, abortive share issue costs and compensation payment for loss of office. Interest payable took £55,000 more at £374,000.

Earnings were down at 0.51p (1.83p) per share and there was an extraordinary loss of £395,000 (£291,000).

Folkes tops £1.2m at halfway stage

Folkes Group, engaged in property, engineering and building products, increased its pre-tax profit from £1.1m to £1.27m in the first half of 1990.

Turnover fell from £29.48m to £20.46m. Earnings per share were 2.34p (2.28p) and the interim dividend is 0.55p (0.45p). There was an extraordinary credit of £3.08m, which included the profit from the disposal of the Bar Bright division.

Poundstretcher hits Brown & Jackson

Brown & Jackson, the retailer, incurred a loss of £337,000 in the half year ended June 30 1990. That went against a profit of £1.78m last time although in certain material respects the figures are not comparable.

Because of the major significance of Poundstretcher, the variety discount store business, over 90 per cent of profits were normally earned in the last quarter of the year, while the opening three months showed a material trading loss, the directors explained.

The 1989 half year excluded £1.8m of pre-acquisition losses incurred by Poundstretcher in the period January 1-March 13. Also there was a £500,000 profit contribution from Premier Construction, which was sold at the end of 1989.

Sales by the group, which retails toiletries, household goods, clothing and electrical goods, rose from £51m to £74m. Loss per share was 2.4p (earnings 1.04p) and the interim dividend is 0.6p (0.5p).

Sheldon Jones up to £627,000

Sheldon Jones, the USM-quoted garden and timber supplies, chemicals and pet foods group, increased its pre-tax profit to £627,000 for the 13 months ended June 30 1990, from the £471,000 of the previous year.

Turnover was £12.4m (£15.79m) and operating profit £636,000 (£587,000). Earnings were 7.1p (6p) and the final dividend is 3.77p for a total of 5.12p (4.65p).

The profit was struck after £73,000 exceptional charge and below the line there was an extraordinary provision of £876,000. They included all profits and costs associated with the sale of the agricultural division, the closure of Bruton Mill, insurance proceeds following a fire at Halberton Mill, the relocation of Pascoe's, FCC and Topwood, and compensation to certain executive directors.

COMMODITIES AND AGRICULTURE

MacSharry promises to keep tight rein on CAP

By Tim Dickson in Brussels

MR RAY MacSharry, the European Community's Farm Commissioner, promised yesterday that "neither stocks nor budgets" in the EC would be allowed to get out of control.

He was speaking at a press briefing in Brussels at the end of this week's meeting of EC Agriculture Ministers – an occasion marked by deep anxiety over the deterioration that has taken place in recent months in many of the major agricultural commodity markets.

Yesterday's council was not asked to take any decisions but Mr MacSharry was left in no doubt during discussions about the worsening plight of the Community's 11m farmers.

His message yesterday was that Brussels was doing all that it could to support prices, notably in the beef and dairy sectors. He highlighted the *major meat deals which had* been concluded in recent weeks – 190,000 tonnes for Romania and the Soviet Union and 80,000-90,000 tonnes for Brazil – and pointed out that export refunds had been lifted in July both for heifers and steers; and recalled that the so-called "safety net" which triggers unlimited support for beef producers at 80 per cent of the intervention price has been introduced in Ireland, Northern Ireland and Great Britain.

So far in this marketing year the EC has purchased 120,000 tonnes under the normal tendering arrangements and a further 110,000 tonnes under the safety net.

In dairying, meanwhile, export refunds as well as aids for pastry and ice cream makers, casein producers, and for *the use of skimmed milk power* in animal feed have been increased. "Everything that we can do has been done," he maintained. Recent problems such as the diversion of food from Eastern Europe and the impact on beef consumption of the mad cow disease "could not have been foreseen three to six months ago."

Mr MacSharry also restated his desire to "reorientate" the Common Agricultural Policy towards smaller producers and pointed out that 80 per cent of the EC's resources go to 20 per cent of the recipients. Work on tackling this issue would proceed "in the next weeks and months" alongside the international trade talks known as the Uruguay Round.

Soviet problems slow growth in world cocoa consumption

By David Blackwell

THE SOVIET Union's lack of foreign exchange has slowed down considerably the rate of increase in world cocoa consumption, according to the latest cocoa report from Gill & Duffus, the London broker now part of the E.D. & F. Man group.

This season Soviet cocoa bean imports have fallen by 30 per cent to 135,000 tonnes, according to the report. Next season, the Soviet Union's difficulties in financing purchases could depress imports by a further 30 per cent, reducing the total East European grind to 179,000 tonnes, the lowest level for 20 years.

The Soviet Union for the past five years has accounted for two thirds of the East European grind.

In the rest of East Europe, consumption is expected to be 13 per cent down this season, and to remain at a similar level next year. While East Europe has taken in some Western chocolate products, the impact of German unification "should not be over exaggerated," says the report.

"If per capita consumption in East Germany rises to West German levels an additional 25,000 tonnes of cocoa would be used, which is equivalent to 1 per cent of world consumption. Unemployment is rising rapidly in East Germany as a consequence of economic restructuring and even current consumption levels may not be sustained in 1991."

World cocoa consumption this season is estimated at 2.21m tonnes, an increase of 4.1 per cent over the previous year. Next year Gill is forecasting a rise of 2.9 per cent to 2.27m tonnes.

This is still a healthy growth in consumption, points out the report. But consumption remains well below production, which is estimated at 2.42m tonnes for 1989-90 and at just over 2.42m tonnes for 1990-91, the seventh consecutive year of surplus production.

The outlook for prices is bearish. Prices have fallen for the past six seasons because of the production overhang, and "there is no reason to expect any different response to a seventh surplus in 1990-91.

"If our estimate for next season's surplus is realised we expect prices to fall below the 15-year lows registered at the beginning of 1990. If the next season's surplus is not as large as we anticipate, the high level of accumulated stocks should prevent a significant price increase in the near future."

However, the size of the overhang is falling steadily. If consumption continues to grow and production remains unchanged, the supply demand-balance will move into deficit in the 1992-93 season.

"Although short-term prospects are not encouraging for producers, this offers hope of a significant and sustained recovery in prices in the mid-1990s," the report concludes.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,640-1,700 (1,630-1,700).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.00 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 2.50-2.80 (2.60-2.90).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.80-12.40 (11.50-12.40).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 190-210 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.86-2.92 (2.88-2.94).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 37-50 (37-51).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 2.75-2.95 (same).

URANIUM: Nuexco exchange value, $ per lb, UO, 11.45 (same).

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+2,225	to 134,150
Copper	+6,750	to 181,550
Lead	+175	to 42,775
Nickel	−720	to 2,892
Zinc	+450	to 61,125
Tin	−40	to 11,495

Dutch farmers face chemical warfare curbs

Ronald van de Krol on a sweeping government plan to control the use of pesticides

IN THE high-tech world of Dutch farming, where hothouses bristle with computer-controlled spraying devices and crop growers are *quick to adopt the latest in* chemical advances, there has always been a very small minority of "organic" farmers who shun all forms of artificial pesticides and fertilisers.

Now, however, a sweeping government plan for making radical cuts in the use of pesticides is about to elevate these "organic", "bio-dynamic" farmers to the status of pioneers, to that of people capable of pointing the way to new, chemical-free techniques for the rest of the agricultural community.

The new pesticide proposals, unveiled last month by the agriculture ministry, are regarded as the strictest in the world, and they will undoubtedly bring far-reaching changes to Dutch farms.

While the 99 per cent of Dutch farmers who now use pesticides are not expected to embrace "alternative" farming in full, they will have to borrow some ideas from their "bio-dynamic" counterparts. For example, natural predators will be used to combat harmful insects. And weeding will increasingly be done by machine rather than by chemical spraying.

If put into practice, the government's plans would force farmers to slash their use of pesticides by 35 per cent by 1995, with a further reduction to at least 50 per cent by the year 2000.

REDUCTION TARGETS

	1995	2000
Pesticide use	35%	50%
Discharges:		
into the air	38%	50%
into soil and ground water	48%	75%
into surface water	70%	90%

The measures are aimed at cleaning up the soil, the air and, above all, the water in and around Dutch farms. Because Holland's low-lying crop fields are criss-crossed by streams, ditches and canals, pesticides sprayed onto crops easily find their way into ground and surface water.

Though pesticide pollution is common in western countries, the problem in the Netherlands is particularly acute. To make matters worse, the country also suffers from huge surpluses of natural manure, another prime cause of water, air and soil pollution.

The two issues – artificial pesticides and natural manure – are linked, in the sense that they both stem from the intensive nature of Dutch farming. Land is scarce and extremely expensive, so farmers must squeeze as much produce or livestock as they can from their acres. Heavy use of pesticides and soil fumigants is the result.

Another factor is the high degree of specialisation practised by Dutch farmers, which cuts down on crop rotation, a natural way of improving the quality of the soil without resorting to chemicals.

All in all, the agriculture ministry estimates that farmers spread an average of 10 kg of active agent on each hectare of land every year. This is higher than in neighbouring European countries and must be reduced. "Maximum use must be made of people-friendly and environment-friendly crop protection methods that fit into sustainable and profitable agricultural systems," it says.

Farmers' organisations agree that pesticide use and dependence on chemicals agents must be curbed. But they are critical of parts of the government's proposals, which will probably not go into practice until 1991 at the earliest.

Mr Ubel Geling, head of the Dutch agricultural board's horticultural department, says the agricultural ministry's proposals, combined with a separate campaign against harmful chemical substances by the environment ministry, could mean that farmers will have to reduce their pesticide use by 70 per cent or more by the year 2000. "That is too much too fast," he says.

Another problem, he argues, is that consumers will need to be told that fruits and vegetables might look different in future. "If the consumer stops buying Dutch apples or potatoes because they have spots on them and buys Chilean or French products instead, then our competitive position will come under threat," he says.

The cost of switching to new farming methods will be high. The ministry itself estimates that the proposed rules will require farmers to invest an extra Fl 2.3bn ($1.3bn) between now and 2000. Higher investment costs will also accelerate the decline in the number of farms. Last year, the decline was 3.1 per cent, due in large part to older farmers retiring and to difficulties in the arable sector.

The rules will also mean that farmers will need a licence to spray their crops and that they will have to pay levies on the use of pesticides. Some soil fumigants will be available on "prescription" only, while a register of pesticide sales will be established to keep track of which farmers use which chemicals.

As they reduce their pesticide use Dutch farmers will run a higher risk of losing parts of their harvest to pests and diseases, says Mr Cees-Jan van Overveld, a researcher into *farming* trends at the agricultural board. More significantly, they will probably not be able to pass on all their higher costs to consumers, unlike natural farmers who market a large portion of their products through pricier natural food shops.

The three sectors expected to be hardest hit by the anti-pesticide measures are: potatoes grown for the processing industry; flower bulbs; and vegetables grown in the open earth, such as cabbages, Brussels sprouts and carrots. The country's hothouse horticulturalists will also come under pressure to reduce their pesticide use and to create closed-system growing methods, so that water, soil and air treated with chemicals do not escape.

Already, many Dutch hothouses are designed to recycle and purify the water they use, while many of their products are grown in artificial rock-wool that is thrown away after use. New developments expected in future are the recycling of used rock-wool and the development of new types of "artificial soil" made from organic materials such as sand and clay.

Crop recovery puts Turkey in surplus

By Jim Bodgener in Ankara

TURKEY'S HARVEST has been ample this year, with broad recovery from the drought of 1989, though not so abundant as the bumper crops produced in 1988. Good, albeit late, spring rains warded off the threat of another dry year.

Most importantly, wheat production has returned to the normal level of 14m tonnes compared with 11.5m tonnes in 1989. "It is a good crop of good quality," says a Western expert. Barley too has been reinvigorated, rising to 6m tonnes from 4.9m.

Regional grain crops over the period have been up and down. Last year Thrace had a good crop compared with the rest of the country, this year it is the other way round.

And it seems that the state-owned Soil Products Office (TMO), the marketing and distribution organisation for cereals and pulses, over-estimated the extent of last year's drought, and as a result over-imported around 6 million tonnes of grains including tapioca. Predictions in other quarters were that only 2.5m tonnes of wheat, and about 1m tonnes of barley, plus a small amount of tapioca would be required.

This means that the TMO is left now with bulging silos from last year, plus the normal surplus from this year's crop. Large deficits have been incurred, considering that the government's internal support prices through the TMO to the farmers were between $180 and $205 a tonne, depending on quality, compared with import prices, even including surcharges, of around $150. Earlier in the summer the TMO borrowed $500m through an international syndicate to finance its obligatory crop purchases, but it will also have to sell to *millers at the prevailing* imported rate.

The cotton is expected to be little changed, at around 620,000 tonnes. Yields were higher as a result of the improved climatic conditions, but farmers had planted less because last year the government lifted imports protection, while some growers switched to more profitable crops.

A kind of wilt is affecting the plants in Cukurova, but since it attacked after the bolls were formed and had opened, the damage is expected to be minimal.

The tobacco crop is projected to fall to about 210,000 tonnes this season from 252,000 tonnes in 1989. The reason for the decline is probably that government prices have peaked; tobacco growers effectively have been overpaid despite their rancorous protests over prices fixed by the government earlier this year. The whole of the crop was sold in three weeks, so their claims were probably exaggerated.

The citrus and other fruit crops are very good, but this has come at a time when overseas markets have been hit by the Gulf crisis. For example, Turkey sold 80 per cent of its plums and prunes, 70 per cent of its fresh cherries, 50 per cent *of its apples, 50 per cent of its* pears, and 70 per cent of its apricots to Kuwait. However, because much of the early crop goes to Eastern Europe, the impact has not yet fully sunk in.

But an alternative market already being sounded out for fresh fruit and vegetables once exported to the Gulf is the multi-national force building in Saudi Arabia, particularly the US troops. If war were to break out Turkey could be in a good position to supply the force with many of its food needs, though this of course might be a very short-lived situation.

Sultana output is down by 10 per cent from last year at about 130,000 tonnes but the crop fluctuates quite widely from year to year anyway.

The dry weather in Thrace has meant the sunflowerseed crop will probably be reduced to 850,000 tonnes from an expected 1.1m tonnes. There was a little rain early in the summer, which led growers to plant. In the hot weather that followed, the seeds germinated well, but plants were stunted. The result is less oil production and more imports.

But olive production this year should be up during a positive year in the trees' biennial fruiting and a crop of around *600,000 tonnes is expected.*

On the other hand, soyabean growing, largely in the Cukurova region, will again be disappointing. Five or six years ago soyabeans were trumpeted as the panacea for the ills of Turkey's edible oilseeds industry, but the annual crop has consistently failed to come anywhere near the projected 500,000 tonnes by 1990, reaching around 200,000 tonnes at best.

As for nuts, the pistachio crop will not be so good because it is an off year in the biennial cycle and output will probably decline to 8,000 tonnes from 25,000 tonnes. Hazelnuts will also be well down, to about 340,000 tonnes compared with an exceptional crop of 520,000 tonnes last year, when everything seemed to be just right for the bushes.

Higher estimate for rubber consumption

WORLD NATURAL rubber consumption is expected to rise to 5.54m tonnes this year from 5.34m tonnes in 1989, the Malaysian Rubber Research and Development Board said, reports Reuters from Kuala Lumpur. And synthetic rubber demand is likely to rise to 10.73m tonnes from 10.42m tonnes, the board said in its 1990 second quarter review.

The board's estimates are higher than an earlier forecast by the *London-based* International Rubber Study Group which put 1990 natural and synthetic rubber consumption at 5.51m and 10.40m tonnes respectively.

World natural rubber production totalled 1.21m tonnes in the first quarter of this year, down from 1.27m in the same 1989 period, largely because of lower Malaysian and Indonesian output, the board said.

Rubber output this year in Malaysia, the world's top producer, is likely to be considerably less than 1989's 1.36m tonnes because of low prices and a reduction in the number of mature trees because of replanting, the board said. The world natural rubber stock situation has improved, it added, partly because of the rapid depletion of Malaysian stocks.

WORLD COMMODITIES PRICES

MARKET REPORT

Gold closed above $400 an ounce on the London bullion market yesterday, but off the day's highs. Traders said gold had established *itself* at the higher levels reached over the previous 24 hours. Gold lacked follow-through activity after brisk European buying in the morning, when it was fixed at a four-week high. However, there was no aggressive selling. Today's expiry of European options would indicate future direction, putting resistance in the meantime at $410 and support at $400, they said. On the LME aluminium again fell sharply, with cash metal closing below $2,000 a tonne for the first time for more than a fortnight. Traders said the sharp fall in prices from the recent high of $2,135 a tonne for three-month metal had been fuelled by profit-taking and liquidation orders which triggered sell stops. Some traders said the $1,900 level represented a 50 per cent retracement of the market's recent upward move and would attract buying interest, but others saw $1,850/$1,860 as a crucial support area if the overall uptrend is to be maintained. A period of stability is probably now necessary to encourage consumers to return to the market, traders said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$33.60-3.75y	-.100
Brent Blend (dated)	$40.15-0.25	-.450
Brent Blend (November)	$37.80-7.90	-.425
W.T.I. (1 pm est)	$37.88-7.90y	-.720
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$442-445	-4
Gas Oil	$343-345	-9½
Heavy Fuel Oil	$140-142	
Naphtha	$379-383	+1½
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$404.25	+8.25
Silver (per troy oz)♣	489c	+1
Platinum (per troy oz)	$461.60	+10.35
Palladium (per troy oz)	$103.05	+2.05
Aluminium (free market)	$2035	-100
Copper (US Producer)	132¼c	+1⅞
Lead (US Producer)	50c	
Nickel (free market)	470c	+7
Tin (Kuala Lumpur market)	15.65r	+0.15
Tin (New York)	277.0c	+3
Zinc (US Prime Western)	84.5c	+3.25
Cattle (live weight)†	100.81p	+0.37*
Sheep (dead weight)†	133.36p	+11.2*
Pigs (live weight)†	77.60p	-2.46*
London daily sugar (raw)	$280.6v	
London daily sugar (white)	$311.0v	+4.5
Tate and Lyle export price	£258.0	-2.5
Barley (English feed)	£115w	
Maize (US No. 3 yellow)	£150w	
Wheat (US Dark Northern)	£84.2q	
Rubber (Nov)♥	53.50p	+0.75
Rubber (Dec)♥	53.75p	+0.75
Rubber (KL RSS No 1 Oct)	238.5m	-0.5
Coconut oil (Philippines)§	$277.5v	+2.5
Palm Oil (Malaysian)§	$282.5w	
Copra (Philippines)§	$200t	
Soyabeans (US)	£143w	
Cotton "A" index	80.30c	-1.40
Wooltops (64s Super)	438p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct. t-Dec. u-Oct/Dec v-Oct/Nov. w-Oct z-Aug/Sep y-Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	248.60	250.00	249.60 243.60
Dec	237.40	248.20	255.00 237.40
Mar	241.60	237.40	241.60 236.00
May	240.00	244.00	240.00 237.40
Aug	239.60	238.00	239.60 239.60
Oct	239.00	238.00	239.00 239.00
White	**Close**	**Previous**	**High/Low**
Dec	308.0	308.0	308.0 305.5
Mar	308.7	308.0	308.7 305.0
May	306.0	303.0	307.0 306.0
Aug	313.0	314.5	315.2 312.7
Oct	307.5	309.0	309.7 306.7
Dec	307.0	308.5	307.0 305.5
Mar	310.5	309.0	313.0 308.5

Turnover: Raw 3000 (2871) lots of 50 tonnes. White 1023 (1363)
Paris- White (FFr per tonne): Dec 1594 Mar 1615, May 1622, Aug 1675, Oct 1650

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Nov	37.30	37.68	38.30 36.80
Dec	35.55	36.12	36.70 35.20
Jan	33.60	34.40	34.85 33.60
Feb	33.50	33.15	33.50 33.50
IPE Index	37.10	34.41	37.10 34.41

Turnover: 14065 (12410)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Oct	335.00	343.00	349.00 329.50
Nov	327.00	336.50	338.00 322.00
Dec	320.50	330.00	331.00 316.00
Jan	310.50	320.00	323.00 310.00
Feb	296.00	308.00	309.00 298.00
Mar	282.00	291.75	286.50 282.00
Apr	270.25	279.00	273.50 270.00
May	271.00	278.00	272.00 271.00

Turnover 16406 (15536)lots of 100 tonnes

JUTE
October/November c and f Dundee BTC $520, BWC $540, BTD $480, BWD $495; c and f Antwerp BTC $505, BWC $505, BTD $455, BWD $465.

COTTON
Liverpool- Spot and shipment sales for the week ending September 21 amounted to 142 tonnes against 202 tonnes in the previous week.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Sep	725	728	727 715
Dec	749	757	764 743
Mar	785	792	797 779
May	806	813	820 803
Jul	826	833	838 825
Sep	846	853	859 845
Dec	871	877	870 869

Turnover: 2930 (4073) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 24 991.77 (971.61) 10 day average for Sep 25 982.67 (979.91)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Sep	574	571	574 593
Nov	601	593	605 588
Jan	618	607	620 605
Mar	612	600	614 598
May	623	611	623 613
Jul	638	625	638 626
Sep	645	640	645 645

Turnover: 5398 (5644) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 24: Comp. daily 73.66 (75.47). 15 day average 76.05 (76.37)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	133.5	132.1	133.5 132.9
May	148.4	148.0	148.0

Turnover 28 (127) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Oct	106.00	105.00	106.00

Turnover 75 (5) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Oct	1198	1204	1200 1190
Jan	1208	1208	1215 1200
Apr	1205	1210	1205
BFI	1175	1179	

Turnover 180 (369)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Nov	113.80	113.45	113.75 113.45
Jan	117.85	117.55	117.70 117.35
Mar	121.50	121.20	121.30 121.00
May	125.20	124.80	125.05 124.80
Barley	**Close**	**Previous**	**High/Low**
Nov	112.35	112.00	112.20 111.75
Jan	116.40	116.15	116.25 115.95
Mar	119.50	119.20	119.30

Turnover: Wheat 148 (74), Barley 67 (157).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	106.0		107.5
Jan	94.0		94.0
Feb	96.0		96.0

Turnover 11 (15) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 20,701 lots	
Cash	1980-5	2095-100	2035	2095-40		
3 months	1895-900	1985-90	1993/1875	1940-5	1903-5	71,364 lots
Copper, Grade A (£ per tonne)					Total daily turnover 27,575 lots	
Cash	1476-8	1441-3	1461/1446	1462-3		
3 months	1443-4	1455-6	1455/1427	1434-5	1445-6	111,519 lots
Lead (£ per tonne)					Total daily turnover 3,129 lots	
Cash	428-31	432-3	428.5/425	426-6.5		
3 months	443-4	444-5	446/438	439-40	446-7	10,765 lots
Nickel ($ per tonne)					Total daily turnover 3,972 lots	
Cash	10350-400	10100-200	10175/10150	10150-75		
3 months	10075-100	9975-80	10100/9850	9850-900	10050-100	9,014 lots
Tin ($ per tonne)					Total daily turnover 2,452 lots	
Cash	5900-20	5850-70		5905-15		
3 months	6010-30	5980-5	6040/6020	6020-20	6010-20	7,091 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 5,532 lots	
Cash	1430-5	1408-13	1435/1418	1416-8		
3 months	1392-3	1362-7	1399/1370	1379-80		19,888 lots

LME Closing £/$ rate:
SPOT: 1.8815 . 3 months: 1.8523 6 months: 1.8267 9 months: 1.8041

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	404-404½	214¼-214¾
Opening	405¼-406¾	215¼-215¾
Morning fix	406.35	215.067
Afternoon fix	403.75	213.715
Day's high	408½-409¼	
Day's low	403-403½	

Coins	$ price	£ equivalent
Mapleleaf	414-419	219½-222½
Britannia	414-419	219½-222½
US Eagle	414-419	219½-222½
Angel	414-419	219½-222½
Krugerrand	403-406	213½-215½
New Sov.	95-97	50¼-51¾
Old Sov.	95-97	50¼-51¼
Noble Plat	467.10-474.55	247.00-250.95

Silver fix	p/fine oz	US cts equiv
Spot	260.25	492.75
3 months	269.85	503.05
6 months	279.10	513.05
12 months	297.20	533.95

TRADED OPTIONS

Coffee	Nov	Jan	Nov	Jan
550	54	78	3	10
600	20	45	19	27
650	5	24	54	58
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	68		19	
750	40	82	41	48
800	22	57	73	73

Brent Crude	Nov	Dec	Nov	Dec
3000	760			
3050				
3100				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	402.4	403.0	0	0
Oct	402.8	403.5	407.0	399.8
Nov	405.3	406.0	0	0
Dec	407.6	408.3	412.3	404.5
Feb	412.1	412.9	417.0	409.3
Apr	416.4	417.1	420.5	413.5
Jun	420.9	421.6	423.5	422.0
Aug	425.1	425.8	428.3	422.5
Oct	430.0	430.6	432.0	432.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Sep	451.0	458.7	447.0	447.0
Oct	451.8	460.7	462.5	450.0
Jan	458.8	467.5	469.5	457.1
Apr	464.6	473.0	475.0	470.0
Jul	470.3	478.7	478.5	478.5
Oct	475.8	484.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	483.4	491.5	486.0	486.0
Oct	484.0	492.0	488.5	488.5
Nov	487.6	495.6	0	0
Dec	491.5	499.5	499.0	490.5
Jan	493.9	502.0	0	0
Mar	502.0	510.3	510.0	501.5
May	509.3	517.7	517.0	509.5
Jul	516.7	525.2	523.5	516.5
Sep	524.5	533.1	0	0
Dec	535.7	544.4	540.0	535.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	128.20	128.40	129.50	126.50
Oct	123.50	124.45	123.90	122.65
Nov	120.20	120.75	0	0
Dec	117.30	118.05	118.20	115.80
Jan	115.60	116.25	0	0
Mar	112.30	113.05	112.90	111.60
Apr	111.10	111.90	0	0
May	109.80	110.65	109.80	109.40
Jun	108.60	109.40	0	0
Jul	107.40	108.15	107.70	106.75

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	37.60	38.25	38.90	37.10
Dec	36.15	34.82	36.82	35.66
Feb	33.50	32.55	34.55	33.10
Mar	32.30	31.58	33.25	31.80
Jul	28.10	28.35	28.80	28.10
Aug	27.80	27.75	28.05	27.80

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	10140	10392	500	120
Nov	10190	9868	466	150
Dec	10230	9879	579	200
Jan	10070	9878	478	9950
Feb	9550	9568	9825	9450
Mar	9175	9158	9400	9000
Apr	8700	8758	8950	8700
May	8350	8408	8475	8200

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1288	1295	1302	1277
Mar	1330	1339	1340	1320
May	1363	1369	1370	1357
Jul	1393	1398	0	0
Sep	1424	1429	0	0
Dec	1457	1462	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	104.40	104.00	103.75	103.75
Dec	94.65	94.00	95.35	93.80
Mar	97.70	97.20	98.40	96.95
May	99.95	99.30	100.25	99.20
Jul	101.85	101.50	102.25	101.30
Dec	105.65	105.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	11.08	10.96	11.11	10.80
Mar	10.85	10.66	10.85	10.55
May	10.85	10.70	10.85	10.58
Jul	10.84	10.72	10.84	10.56
Oct	10.89	10.74	10.85	10.61

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	74.00	73.70	74.80	73.80
Dec	71.82	71.14	72.30	71.15
Mar	72.86	72.36	73.40	72.17
May	73.58	72.86	74.06	72.70
Jul	73.60	73.10	74.35	73.15
Oct	69.75	69.25	0	0
Dec	67.88	67.75	68.00	67.65

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	135.10	138.75	137.00	134.70
Jan	130.60	132.20	132.80	130.50
Mar	131.50	132.75	132.75	131.50
May	131.00	132.50	132.10	132.00
Jul	131.50	132.50	132.50	131.50

INDICES

REUTERS (Base: September 18 1931 = 100)

Sep 25	Sep 24	mnth ago	yr ago
1773.9	1787.6	1800.3	1874.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 21	Sep 20	mnth ago	yr ago
Spot	131.54	129.52	133.38	130.63
Futures	129.85	134.38	135.02	130.36

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	617/4	613/4	619/4	614/4
Jan	632/0	628/0	633/4	629/0
Mar	644/6	641/0	646/4	641/4
May	653/4	649/4	656/0	651/0
Jul	661/0	656/0	663/2	658/4
Aug	657/0	652/0	658/0	655/0
Sep	635/0	629/0	636/0	635/0
Nov	626/6	623/6	627/0	624/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	23.59	23.42	23.75	23.45
Dec	23.78	23.63	23.93	23.64
Jan	24.00	23.89	24.16	23.89
Mar	24.28	24.15	24.40	24.18
May	24.45	24.40	24.62	24.40
Jul	24.50	24.45	24.58	0
Aug	24.35	24.25	24.45	24.35
Sep	24.20	24.12	24.20	24.20

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	178.5	175.8	178.8	178.2
Dec	181.5	180.6	182.9	181.0
Jan	183.5	182.8	184.8	183.0
Mar	186.7	185.7	187.7	185.9
May	188.0	187.1	188.8	187.5
Jul	189.5	188.7	190.0	189.0
Aug	188.5	187.5	190.0	188.5
Sep	189.0	187.1	189.0	188.0
Oct	186.5	186.0	187.0	186.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	227/6	226/6	230/0	226/6
Mar	237/2	236/0	239/2	236/4
May	243/2	244/2	245/2	242/4
Jul	247/0	247/2	249/0	246/4
Sep	244/4	244/4	245/4	244/0
Dec	245/4	245/2	246/6	245/2
Mar	252/4	250/0	253/0	250/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	274/6	275/2	277/6	274/2
Mar	289/4	289/2	291/4	287/6
May	296/0	297/2	299/4	295/6
Jul	301/2	303/0	304/0	300/6
Sep	305/6	307/0	309/0	306/4
Dec	316/0	317/0	317/0	316/0

LIVE CATTLE 40,000 lbs; cents/lbs

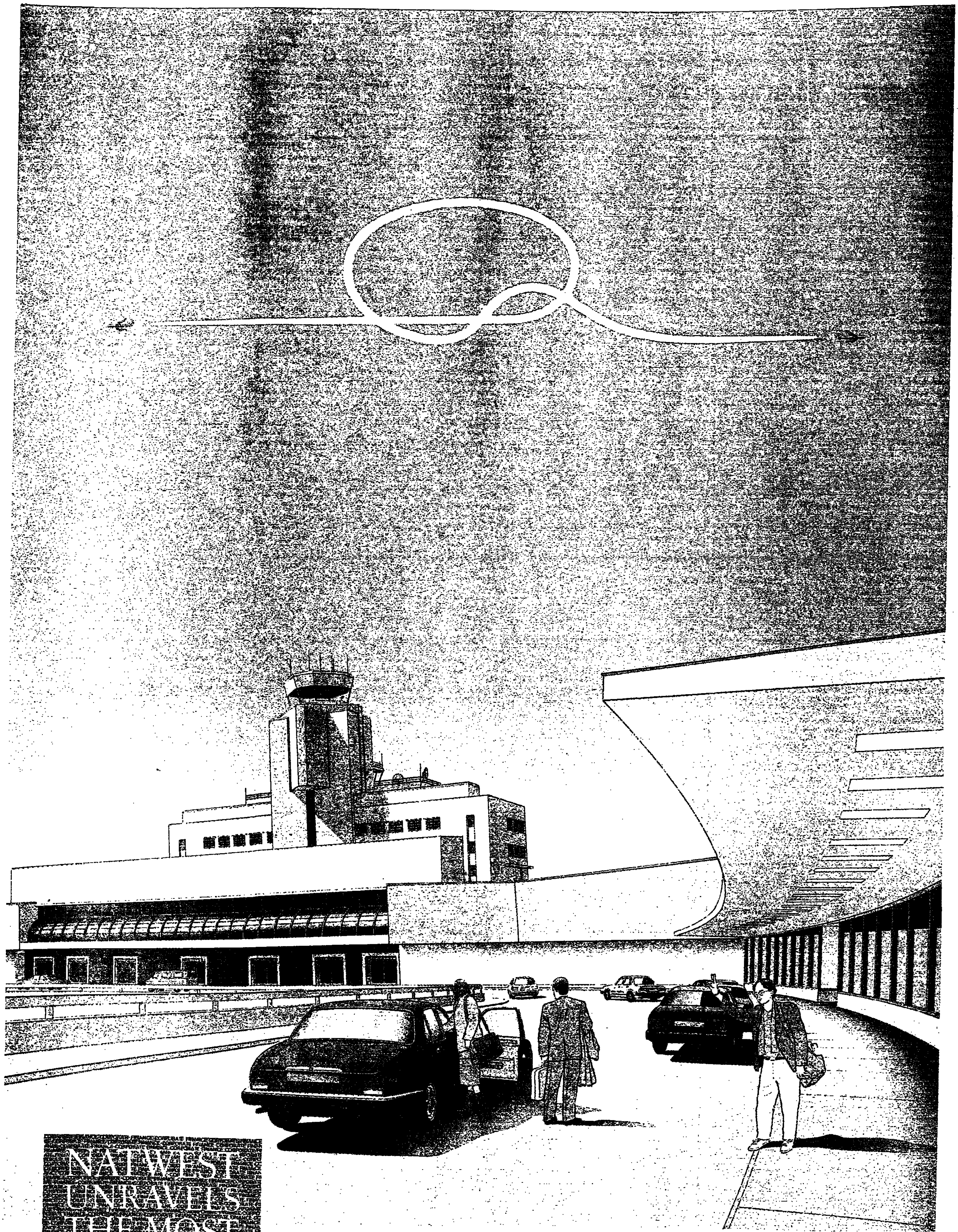
	Close	Previous	High/Low	
Oct	78.55	79.25	79.37	78.50
Dec	76.16	76.72	77.02	76.12
Feb	74.67	75.07	75.32	74.52
Apr	75.27	75.67	75.95	75.25
Jun	73.15	73.37	73.55	73.10
Aug	71.67	71.70	71.85	71.67
Oct	71.70	71.72	71.80	71.70

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	54.80	55.15	55.80	54.70
Dec	52.62	53.07	53.50	52.60
Feb	49.90	50.20	50.75	49.80
Apr	46.80	47.00	47.50	46.75
Jun	50.65	50.65	50.85	50.40
Jul	50.62	50.70	50.85	50.45
Aug	49.25	49.25	49.45	49.15
Oct	44.10	44.02	44.10	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	56.52	58.40	57.25	56.10
Mar	56.62	56.82	57.25	56.20
May	57.40	57.20	58.10	57.00
Jul	57.40	57.55	57.95	57.05
Aug	55.00	55.00	55.50	0



هيكل من الاهرام

LONDON STOCK EXCHANGE

Weak oil stocks restrain equity rally

A SOMEWHAT less dramatic performance by crude oil prices yesterday helped the UK stock market rally from the setback of the previous session. Some cautious bargain hunting by institutions took the FT-SE Index above 2,000 again in early trading, although the market slipped back before the close.

London brushed off the sharp falls in New York and Tokyo equities overnight, preferring to focus on the confident comments on the UK's August trade figures from Mr John Major, the UK chancellor of the exchequer.

Comment on Monday's sell-off in equities from the City of London was also favourable, with several sources lending cautious endorsement to the view of County NatWest, the market-making firm, that UK equities presented a strong buying opportunity at current levels.

Account Dealing Dates		
*First Dealings:		
Sep 10	Sep 24	Oct 8
Option Declarations:		
Sep 20	Oct 4	Oct 18
Last Dealings:		
Sep 21	Oct 5	Oct 19
Account Day:		
Oct 1	Oct 15	Oct 29

*New-time dealings may take place from 8.30 am two business days earlier.

Turnover remained moderate, however, and an early gain of 15 points in the Footsie, taking it to above 2,005, owed much to bear operations by traders who, having undertaken selling commitments on Monday, were under orders to buy any necessary stock without delay; marketmakers are unwilling to carry open positions in volatile markets.

The market peaked early, and leading indices were soon adversely affected by a sharp downturn in leading oil shares as some influential UK securities houses advised institutional clients to reduce portfolios in this sector. The FT-SE Index moved into negative territory at mid-session.

London sensed a firm opening on Wall Street and rallied in the early afternoon. After hesitating as New York came in more slowly than expected, the UK market steadied further in late trading. The final reading showed the FT-SE Index at 1,999.2, up 8.9 on the day, with traders commenting that but for the weakness in oil stocks, the index would have shown a gain of around 14 points.

Seaq volume slipped to 412.4m shares from Monday's 500.3m. Detailed turnover statistics from the International Stock Exchange tend to underline the view that investment institutions have become marginally more active in equities. Daily retail business crept higher towards the end of last week, although it remained below the £1bn mark seen as both desirable and profitable by the marketmakers.

The corporate scene remains as dark as ever, with the leisure sector in the firing line after several leading analysts downgraded views of Granada, the television group. A heavy fall in interim profits at Tarmac, the construction company, did little to lift the gloom overhanging the industry. However, some experienced traders pointed with satisfaction to a modest revival of takeover activity, always regarded as an optimistic sign for the equity market.

FINANCIAL TIMES STOCK INDICES

	Sept 25	Sept 24	Sept 21	Sept 20	Sept 19	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.38	78.45	78.56	78.41	78.45	85.09	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	86.67	86.83	86.62	87.00	87.01	96.06	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1526.6	1510.4	1537.3	1531.1	1576.1	1913.5	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	195.9	184.6	186.1	184.9	182.7	211.8	378.5 (6/2)	167.9 (15/8)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	1999.2	1990.3	2025.5	2016.9	2065.8	2336.1	2463.7 (3/1)	1990.3 (24/9)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	6.22	6.29	6.17	6.21	6.02	4.25				
Earning Yld %(full)	13.04	13.19	12.94	13.02	12.63	10.19				
P/E Ratio(Net)(☆)	9.29	9.19	9.37	9.30	9.60	11.82				
SEAQ Bargns 4.45pm	18,022	20,024	25,895	20,995	17,418	21,438				
Equity Turnover(£m)†	-	808.16	834.90	917.83	742.22	890.18				
Equity Bargains†	-	21,392	24,955	20,494	16,988	24,152				
Shares Traded (ml)†	-	516.6	451.9	407.3	334.5	367.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 9.15

Ordinary Share Index, Hourly changes — Day's High 1526.6 — Day's Low 1509.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1509.6	1519.6	1515.4	1523.0	1519.7	1516.5	1519.3	1526.0	1525.4

FT-SE, Hourly changes — Day's High 2005.3 — Day's Low 1988.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1995.2	2004.6	1997.2	2000.8	1993.7	1987.1	1991.5	1998.3	1997.5

GILT EDGED ACTIVITY

Indices*	Sept 24	Sept 21
Gilt Edged Bargains	88.2	78.5
5-Day average	82.7	77.4

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	1,005	145	+4	Courtaulds	840	276	+9	Manpower	142	86	-1	Smith & Nephew	1,100	97	+½
ASDA Group	2,924	111½	+1½	Dalgety	761	348	+1	Marks & Spencer	4,100	213	+1	SmKl Beecham	1,000	534½	+½
Abbey National	2,090	233	+4	Dixons	677	118	+1	Maxwell Comms.	5,800	169	-3	SmKl Beecham Units	5	2348	-37
Allied-Lyons	1,802	432	+4	ECC Group	251	303	+9	Midland Bank	1,400	205	+6	Smiths Inds.	398	198	+5
Amstrad	8,223	49	-2	Enterprise Oil	1,300	656	-4	NatWest Bank	4,200	203	+1	South West Water	489	230	+2
Anglian Water	594	235	+2	FKI	1,000	47	+1	Next	1,300	29		Southern Water	1,000	206	+3
[illegible]															

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Heavy turnover in Shell

THE ERRATIC performance of crude oil prices yesterday – November Brent dipped sharply during the afternoon - was accompanied by an uneven showing by oil shares. Shell Transport was notably weak, falling 12 to 467p on substantially increased turnover of 9.32m shares. The drop came after Kleinwort Benson Securities advised clients to reduce holdings in the stock.

Mr Philip Lambert at Kleinwort said that while still believing there would be a military conflict in the Gulf – which he said should give a last spike in oil prices – Kleinwort considered it prudent for institutions to "slim down their oil portfolios, particularly for Shell, which has outperformed the market by 30 per cent since the invasion of Kuwait."

He commented that Shell now shows its lowest yield relative to the market since 1979, and is the least geared to crude prices of the major oil companies. Kleinwort remained positive on BP, down 4 at 360p on turnover of 11m, and Lasmo, which dipped 9 to 468p on 2.5m.

Premier Consolidated, where a 138m-share stake held by Kleinwort is overhanging the market, moved up 5½ to 87¼p amid stories that an institution had placed a buying order for some 10m shares.

Richmond Oil and Gas dropped 11 to 130p after the proposed £31m rights issue to help fund the US acquisitions.

Gas downgraded

A more bearish stance on British Gas by BZW, the investment bank, lowered the shares 5 to 211½p on turnover of 5.9m. BZW's Mr James Henderson said it was quite likely that he would lop some £30m off the BZW forecast for the year to March 1991, which currently stands at £1.25bn, a figure pencilled in some two months ago.

Mr Henderson said Gas had not taken the opportunity to increase absolute gas prices, and he thought it unlikely that the group would move to raise prices for the rest of the year. "Gas shares have already outperformed the market by 15 per cent since August 1; there is now not much scope for more," said Mr Henderson.

Granada suffers

Granada fell again as Hoare Govett, the company's broker, joined other securities houses in cutting profit forecasts. Hoare now says the company will make £121m both this year and next, down £10m and £24m respectively. Granada's year runs until the end of September. The shares lost 8 to 150p as 1.4m changed hands.

Mr Andrew Hunter at Hoare said that turnover would be flat while costs grew with inflation. The company was also suffering from the slowdown in advertising revenue. The weakness in the sector would run until the third quarter of 1991 at the earliest. Mr Hunter said that that coincided with Granada's last quarter of its 1991 financial year and was cutting it fine, given the uncertain economic climate. He forecast that the company's dividend would be held.

Kwik-Fit celebrates

Automotive parts specialist Kwik-Fit celebrated higher interim profits with its best gain for many months. The shares, which have recently been bumping along at the lowest level of the year, moved 11 ahead to 69p, encouraged initially by the unexpected rise in mid-term profitability to £10m, from £9.6m.

The improvement was even more impressive when viewed against this year's backcloth of reduced consumer spending in the UK, said analysts, who raised their profits estimates for the full year. Mr Rob Golding of S.G. Warburg described the results as "surprisingly good," and now expects annual profits of £18m, up from £13m, and earnings per share of 6.3p.

Opposite directions

The decision by the UK Government not to refer the proposed £290m agreed takeover by Booker of fellow food services group Fitch Lovell to the Monopolies and Mergers Commission sent the two companies' shares in opposite directions. Fitch climbed 17 to 278p, just over the 286.6p value of the mixed paper and cash offer with Booker down 5 at 389p. A cash alternative of 298.6p had already closed. Booker already spoke for more than 90 per cent of Fitch before yesterday's announcement.

Some 5m Booker shares were then sold to institutions at 385p in a joint operation by Booker's brokers, UBS Phillips & Drew and Cazenove. The sellers were sub-underwriters of the offer who had taken Booker shares from Fitch shareholders accepting the cash offer. The underwriting price was 410p.

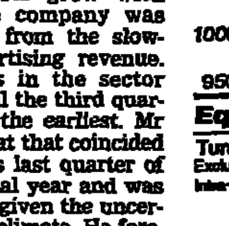
Mr Mark Duffy of S.G. Warburg issued a buy note on Booker soon after the government announcement. He said that the deal would raise Booker's earnings per share and make the company "a more focused business."

Caird captured attention as the shares moved above the bid price by Severn Trent Water. Although business was not particularly brisk, the shares rose 4 to 105p, prompting speculation of counters to Severn's bid of 100p a share. Among suggested predators were other water companies, a leading UK conglomerate and a US group.

Some marketmakers believe that Severn will have to raise its offer to win the day. A decent-sized US arbitrage order in Caird shares at 102p initiated yesterday's excitement, drawing in short-term professional operators, who chased the price higher.

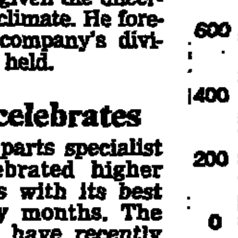
While agreeing that Severn might be induced to pay a touch more, one analyst doubted whether any other party was seriously interested in counter-bidding. Severn was not allowed to buy Caird shares yesterday because the price had moved beyond its bid price. The company announced that it now holds 24.6 per cent of Caird.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Inter-market business & Overseas turnover



A 36 per cent drop to £97.8m in Tarmac half-year profits was well received initially, coming towards the top end of market expectations in a sector already badly hit by the economic slowdown. A closer look at the numbers brought the share price back from its high of the day to finish at 195p, up just a penny. Turnover was brisk, with 6m shares changing hands.

The change of heart centred on Tarmac's exposure to the UK sector, where 85 per cent of profits are generated. Analysts expressed concern at the poor state of the housing sector, with operating profits falling to £34.1m from £78.1m. BZW revised its annual forecast to £220m, while Mr Donald Anderson at Hoare Govett projected £215m.

Steetley moved 3 firmer to 328p, helped by a hold recommendation from Hoare Govett. Profits are expected to reach £100m this year, with over 50 per cent coming from overseas.

A low gearing and the decision not to sell property in a depressed sector merely to maintain growth in profits helped Taylor Woodrow earn a recommendation as undervalued from Hoare Govett. But the investment house still downgraded its profits forecast for the full year by £12m to £88m, and the price eased 3 to 183p.

On a brighter note, Redland moved up 9 to 480p ahead of tomorrow's release of interim figures. Shearson Lehman expectsa pre-tax profit of £100m, against £104.1m. Elsewhere, Beazer lost 2 to 91p before tomorrow's release of full year figures.

A small ray of sunshine crept into the property sector on news of an agreed bid by Scottish Widows for Connell, the estate agents chain. The cash offer values Connell at £48.3m, equivalent to 194p per share. The price jumped to 188p from Monday's 135p.

Interim figures for Estates & General were only slightly below the previous year's, and it was only the company's policy of not capitalising its interest payments that prevented a strong rise in pre-tax profits. The stock moved up 25 to 130p.

Takeover talks between MCA, the US entertainments corporation, and Japan's Matsushita saw the former jump some $18 during early trading on Wall Street and galvanised the Thorn EMI share price. Thorn galloped ahead during the afternoon to close 15 higher at 598p, after 600p. Turnover was 1.8m shares.

British Telecom was said to have suffered yet more profits downgrades and the shares eased 1¼ more to 257½p, while talk of imminent cuts in estimates left Cable and Wireless 11 off at 405p after 3.9m shares traded.

The County NatWest and Salomon Brothers recommendations helped GEC move ahead 5 to 181p; turnover increased sharply to 6.7m shares.

Amstrad, due to report preliminary figures early next month, eased 2 to 49p, with heavy activity – including a cross of 3.5m shares – boosting turnover to 8.2m.

Fears of a supermarket price war left Sainsbury 4 off at 290p and Tesco 6 lower at 218p. Analysts said there would be some limited price cuts but that this was usual in the autumn.

A sell note from BZW on Storehouse left the shares 4 off at one point before closing at 126p, down 2 on the day. Ms Louise Hough at BZW said that management had sorted out the balance sheet but had not yet persuaded customers back into the shops.

Ratners continued to benefit from a buy note issued early in the week by S.G. Warburg. The shares firmed 2 to 217p.

The bleak outlook for the advertising industry in the wake of the UK Government's apparent determination to keep interest rates high hit WPP. The shares fell below £4 at one point before recovering to 415p, down 29 on the day. There were also worries over news that NatWest Bank was reviewing its advertising contracts; £18m, out of £26m worth, are with JWT, owned by WPP.

Cookson continued to recover health, aided by speculation that the group could be vulnerable to a predator. Volume was a reasonable 2.8m shares and the price, 48p at one stage last week, picked up 5 further to 84p.

The listing of BM Group was restored and the shares fell sharply, closing 16 down at 229p, after the conglomerate announced an £57.7m agreed share offer for Blackwood Hodge, its fellow construction equipment manufacturer. Blackwood announced its final results for the year to the end of June, showing a profits rise to £23m from £15.7m, and the shares moved up 10 to 31p.

Ipeco was up 4 to 57p after reporting a rise in half-year profits to £1.95m from £1.2m.

The market was unimpressed by Folkes' profits improvement to £1.3m from £1.1m and the shares edged up only a penny to 59p.

British Steel firmed 1¾ to 117¼p on a heavy 10m turnover on the back of a small presentation the previous day and the end of months of uncertainty over a potential deal with Aristrain, the Spanish steel producer.

British Aerospace rallied 8 to 542p on slender buying, after some selling the previous day prompted by the dividend deduction.

LEP was ultimately unchanged at 164p after an announcement that ADT had acquired 4.3m shares, taking its holding to 24.5m – an 18 per cent stake. BAA receded 7½ to 367½p. It was felt that ADT had sold BAA stock to finance the purchases of LEP.

Tiphook dropped 21 to 343p as sellers moved in with no backing from buyers.

PFG Hodgson Kenyon, which claims to be the UK's largest funeral director, fell 13 to 137p after the interim results; profits from the monumental division were particularly disappointing. Goode Durrant lost 9 to 90p on the warning that profits were unlikely to match last year.

■ Other Market statistics, including the FT-Actuaries share index, Page 26

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (4).
BRITISH FUNDS (3) OILS (1).
NEW LOWS (495).
AMERICANS (25) CANADIANS (4) BANKS (26) BUILDINGS (18) CHEMICALS (17) STORES (9) ELECTRICALS (48) ENGINEERING (29) FOODS (7) INDUSTRIALS (94) Alfa-Laval AB "B", Anglo Utd., Armour Tst., Assoc. Brit. Ports, Avon Rubber, BBA Grp., Do. 8.7pc Cm. Rd. Pf., BET, BOC, BTR Nylex, Baird (Wm.), Barry Wehmiller, Billam (J.), Bridon, Brixley Invs., Brit. Steel, Brown & Tawse, Bullers, Bus. Tech. Grp., CMB Pack., Cathay Pac., Charter Cons., Chestergate Grp., Christies Intl., Clayhithe, Cosalt, Dinkie Heel, Dyson (J & J). "A". EIS, Erskine Hse. Grp., French (T.), Goode Durrant, Grampian, Granada, Do. 7½pc Nat Cv., Green (E.) & Part., Halstund Nycomed "A", Do. "B", Harris (Ph.), Hawtin, Hays, Ibex, Intereurope Tech., Johnson Clns., Johnson Matthey, Jourdan (T.), Lilleshall, Lincat Grp., Low & Bonar, Lynx, Metsec, Min. & Alld. Spcls., Morgan Crucible, NMC, Nestor-BNA, Norfolk Hse., Oriflame, PFG Hodgson Kenyon, Polymark, Portmeirion Pots., Powell Duffryn., Proteus Intl., Record, Reuters, St. Gobain, Sec. Grp. "A" N/V., Sec. Servs., Shiloh., Siebe, Silverines, Stag Furn., Store & Free, Sthn. Bus. Grp., Suter, Swire Pac. A, TSL Range, TT Grp., Tomkins 5½pc Cm Pf., Unigroup, Unilever NV, Utd. Uniform Servs., Vinten Grp., Walker Greenbank, Wassall, Whitecroft, Williams Hldgs., Do. 5⅓pc Cv. Pf., Do. 8pc Cv Pf., Willis Grp., Wyko Grp., Wyndham Grp., YRM, Yale & Valor, INSURANCE (15) LEISURE (9) MOTORS (5) NEWSPAPERS (5) PAPERS (21) PROPERTY (13) TEXTILES (15) TRANSPORT (11) TRUSTS (101) OILS (3) OVERSEAS TRADERS (3) PLANTATIONS (1) MINES (18) THIRD MARKET (1).

APPOINTMENTS

Senior posts at Lloyds Bank

■ Mr Michael Thompson retires as deputy chief executive of LLOYDS BANK on January 31. He will stay on the board and become a deputy chairman from the annual meeting on April 24.

The two vice chairmen, Mr Norman Jones and Mr John Davis, retire from the board on April 24 and May 31 respectively.

Mr John Davies, director of international banking, joins the board on October 1. After Mr Thompson's retirement Mr Davies will become assistant chief executive and deputise for the chief executive, Mr Brian Pitman.

■ The following have been appointed directors of TAYFORTH INVESTMENT SERVICES: Mr Roderic Primrose and Mr Niel Mathewson join from Neilson Milnes; and Mr Charles Edmond, who was with James Capel.

■ Mr Robert J. Foyle has been appointed production director of CASTELL SAFETY INTERNATIONAL, a Halma subsidiary.

■ Mr David Walker has been appointed company secretary of LOGICA. He continues as head of legal services.

■ Dr Debajyoti Chatterji has been appointed to the board of BOC GROUP from October 1 when he becomes managing director, technology. Mr David Craig, managing director, engineering and technology, retires from the board at the end of this month.

■ MARLEY has appointed Mr Christopher G. Beenham (pictured) as group finance director from October 1. He is vice president finance of Black & Decker, Europe.

■ LEX SERVICE has appointed Mr Charles B.A. Cormick as company secretary following the retirement of Mr Ian R. Wightwick. Mr Cormick was deputy secretary.

■ Mr Michael Kerr has been promoted to general manager of CIBA-GEIGY's pigments business in the UK. He was head of marketing.

FINITE GROUP, Milton Keynes, has appointed Mr John Ockenden (pictured) as non-executive chairman. He is chairman and chief executive of Data Logic, and succeeds Mr Graeme Ward who continues as chief executive.

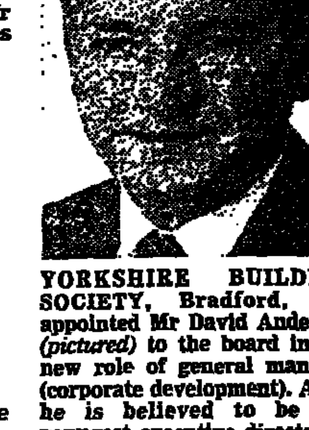
■ The ISS GROUP has appointed Mr Stuart Graham as managing director of ISS Servisystem. He was with the industrial services division of BET.

■ Mr Michael Mitchell has been appointed investor relations director of the RATNERS GROUP. He was investor relations manager with The Burton Group.

Mr Michael Grylls, MP, has been appointed a non-executive director of CAPE.

■ UNITED PARCEL SERVICE has appointed Mr John MacPherson as divisional director, Scotland, covering both parcel services and Atlasair freight. He joins from Rockwood International Freight, where he was director, Scotland. UPS is based in Greenwich, Connecticut.

■ UNITED TRANSPORT TANKERS, a BET company, has appointed Mr Phillip Greenfield as operations director. He was commercial director. Mr Graham Masters becomes marketing director. He was financial controller.



YORKSHIRE BUILDING SOCIETY, Bradford, has appointed Mr David Anderson (pictured) to the board in the new role of general manager (corporate development). At 34 he is believed to be the youngest executive director of a major building society. He was general manager (marketing/premises).

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
[illegible]						
Five to Fifteen Years						
[illegible]						
Over Fifteen Years						
[illegible]						
Undated						
[illegible]						

BRITISH FUNDS—Contd

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
Index-Linked		(b)			(1)	(2)
[illegible]						

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
21⅞	5⅞	Chase Manhattan $12½	5⅞	-⅞	$1.20	–	10.9
19¼	802p	Chem. Banking Corpn.	802p	-107	$2.72	–	18.1
12½	5⅞	Chrysler $6¼	5⅞	-⅛	$1.20	–	11.8
18¼	8⅞	Citicorp $1	8⅞	-⅞	$1.78	–	11.8
40⅞	30½	Colgate-Palmolive $1	30½	-1½	$1.80	–	3.2
12⅛	437p	Cont'l Bank Corp $4	437p	-41	$1.00	–	12.2
268p	106p	Corporate Data Scnc	135p		–		–
22⅞	14⅛	Dana Corp. $1	14⅞	-⅞	$2.60	–	5.9
768p	274p	Data General	385p	-32	–		–
[illegible]							

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9½	ABN Amro Fl5	£9½	–⅛	Q28%	2.1	8.6	5.4
303	178	ANZ $A1	178	–6	44c	1.4	10.6	6.7
229	172	Abbey National 10p	203	+4	5.7	4.3	3.7	8.2
*274	141	Allied Irish Ord	141	–5	Q40%	3.3	6.4	6.4
85	50	Anglo Irish	50	.....	†Q18.7%	2.7	8.4	7.2
93	63	Ansbacher (H.) 1p	63	.....	2.5	1.3	5.3	18.1
£71¼	£32½	Bancaire Cie Fr100	£32½	–3	kQ12¼%	–	4.0	–
£22¾	£13¾	Banco Bilbao Viz	£14	.....	Q49.1%	2.7	5.7	9.6
286	142	Bank Ireland Ir£1	142	–6	Q14.7%	2.9	9.3	5.0
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
350	320	Bank Leumi (U.K.)	350	.....	†15.0	–	5.7	–
125	100	Bank Scotland	100	–1	4.55	3.3	6.1	6.6
100¼	83¼	Do. 9¼pc Irrd Pf	95½	.....	9¼%	–	12.9	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	305	+7	†h19.57	3.5	8.6	4.2
22	11	Benchmark 20p	12	+1	0.75	♦	8.3	♦
335	246	Brown Shipley £1	247	.....	12.0	2.2	6.5	8.0
*435	290	Cater Allen £1	291	–2	N24.5	–	11.2	–
179	59	Chancery	59	–3	9.0	2.7	20.3	2.4
£23¼	£15¾	Commerzbk DM10	£15¾	–⅛	Q18%	–	3.9	–
£13½	640	Dai Ichi KBk Y50	643	+3	Q17%	♦	0.5	♦
*£313½	£198½	Deutsche Bk DM50	£198½	–10½	Q28%	–	2.4	–
£20¾	£15¼	Espirito Santo	£15¼	.....	Q75c	5.1	2.6	7.5
253	169	First Nat. Fin. 10p	170	+1	13.0	2.1	10.2	5.8
121	83	FNFC 6.3pc Cv. Pf	85	–1	6.3%	–	9.9	–
£13½	724	Fuji Bank Y50	729	.....	Q17%	♦	0.4	♦
325	262	Gerrard & National	272	.....	19.0	–	9.3	–
154	108	Guinness Mahon 10p	108	–1	2.1	–	2.6	–
328	195	Hambros 20p	204	+1	11.5	–	7.5	–
128	89	Do. 7.5pc Cv Pf	89	–1	7½%	–	11.2	–
53½	33	HK & Shang. HK$2.50	33	–1	†bQ38c	–	7.7	–
478	393	Joseph (Leo) £1	393	.....	15.85	–	5.4	–
150	105	King & Shaxson 20p	105	–1	10.25	–	13.0	–
422	262	Kleinwort Benson Grp	267	+4	16.0	2.5	8.0	6.3
642	323	Kyowa Bank Y50	323	–9	Q14%	♦	0.9	♦
316	222	Lloyds £1	245	+9	†13.3	2.6	7.2	5.7
56	44	Lon. Scot. Bank 10p	46	.....	†2.4	1.9	7.0	9.1
405	192	Midland £1	206	+6	†18.0	2.6	11.7	4.3
£14½	£10⅛	Mitsubishi Bank Y50	£10⅛	.....	Q17%	♦	0.3	♦
£12¼	£4⅛	Mitsubishi Tst & Bk Y50	£4⅛	–⅛	Q17%	12.4	0.7	11.6
£10¼	£4¼	Mitsui Taiyo Kobe Y50	£4¼	–⅛	†Q16%	6.0	0.6	27.5
904	437	Mitsui Tst & Bk Y50	437	–22	Q17%	♦	0.7	♦
336	257	Nat Aust. Bk. A$1	257	–6	sQ50c	1.6	8.3	7.4
368	227	NatWest £1	233	+1	†16.7	3.3	9.6	4.2
£210	£120	Ottoman Bank	£120	.....	Q110%	2.8	9.2	3.9
55	31	Rea Bros. Group	31	.....	0.5	3.2	2.2	15.5
227	119	Royal Bk. Scotland	124	+3	†7.2	3.8	7.7	4.4
795	368	Saitama Bank Y50	384	–30	Q14%	♦	0.7	♦
£12¼	601	Sanwa Bank Y50	602	+1	Q17%	6.7	0.5	28.3
902½	613	Schroders £1	613	.....	h12.5	5.9	2.7	8.2
712½	413	Do. £1 N/V	413	.....	h12.5	5.9	4.1	5.5
£25¼	£12¼	Sec. Pacific $10	£12¼	–1¼	Q$2.52	–	11.2	–
616	288	Standard Chartd. £1	289	.....	35.0	1.4	16.1	(5.4)
£16½	£6¼	Sumitomo Bank Y50	£6¼	–⅛	†Q16%	7.5	0.5	27.3
£11	£4¾	Sumitomo Tst & Bk Y50	£4¾	–⅛	Q17%	6.9	0.7	22.0
147	114	TSB	123	+5	†5.8	2.5	6.3	8.0
175	126	TSB Bank Ord Ir£1	130	.....	†Q6.7	3.5	5.2	6.5
£11¼	£5¼	Tokai Bank Y50	£5¼	–⅛	Q16%	4.1	0.7	41.3
920	531	Toyo Tst & Bk Y50	547	–41	†Q15.2%	6.9	0.5	26.3
611	510	Union Discount £1	510	–5	33.0	–	8.6	–
525	286	Warburg (S.G.)	291	+5	15.0	3.8	6.9	5.1
180	99	Do 6pc Cnv Prf	102	.....	6%	–	7.8	–
279	178	Westpac $A1	178	–3	Q52.5c	1.5	13.3	4.9
420	333	Wintrust 20p	335	+2	†7.8	4.2	3.1	9.3
969	528	Yasuda Tst & Bk. Y50	528	–28	Q17%	♦	0.6	♦

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
175	45	CLF Yeoman 50p	50	+5	Q18.5%	3.2	17.5	2.4
71	53	Cambridge Grp Ir5p	53	.....	Q7½%	15.6	0.6	12.9
55	11	♦Capital Leasing Ir.10p	12½	–1½	†Q12%	3.5	8.5	3.0
60	50	Cattle's (Hldgs) 10p	56	.....	†3.58	1.9	8.5	8.0
426	362	Prov. Financial	383	+2	†20.5	2.1	7.1	8.8
*232	160	♦Refier Invs. Ir5p	160	.....	gQ51%	7.9	1.4	12.8
229	199	Secure Trust Grp 1p	200	–2	†8.5	2.4	5.8	9.8
210	135	Woodchester IR20p	154	.....	†Q16.7%	5.9	1.9	11.5

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
		[illegible]	118	.....	†4.5	2.3	5.5	10.5
		[illegible] Light HK$5	92	–3	Q72c	2.6	9.3	5.7
		[illegible]	[illegible]					

INDUSTRIALS (Miscel.) – Contd.

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
530	315	Siebe	315	–8	15.0	3.1	6.3	5.9
88	75	Silentnight 10p	83	+1	5.0	2.1	8.3	7.5
120	53	Silvermines 2½p	54	.....	Q222.2%	4.8	9.2	3.0
258	215	Sinclair (Wm.)	220	.....	†5.25	2.8	3.2	14.7
*374	98	Sketchley	98	.....	p6.5	1.1	8.8	13.3
137½	88½	Smith & Neph.10p	97	+½	4.25	1.8	5.9	11.1
631	460	SmithKline Beecham A	534½	+½	W11.0	2.7	2.7	17.8
2788	2098	Do. Equity Units	2348	–37	–	–	–	17.1
298	183	Smiths Inds. 25p	193	+5	†8.9	2.9	6.1	7.6
108	38	Somic	38	.....	2.5	2.7	8.8	5.6
1600	500	Sotheby's Hldgs Inc Class A	638	.....	sQ60c	–	5.0	–
[illegible]								

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES — Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

[illegible]

INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1,050 per annum for each security.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Matheson Unit Trust Managers Ltd (1200)H
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
SE Asia	6	40.39	40.39	43.20	-0.98	2.64
UK Growth (4-1)	6	55.77	55.77xd	59.65	-0.31	4.14
UK High Income	6	29.28	29.28xd	31.32	-0.16	6.45

Mayflower Management Co Ltd (1200)F
PO Box 249, Beckenham, Kent BR8 4WA 081-663 3111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income	5	284.1	284.1xd	302.3	-6.6	6.08
Global Inc	5	41.35	41.33xd	43.96	-0.77	5.60
Brit Leaders	5	225.2	225.2xd	239.6	-2.6	4.68
Intl Leaders	5	122.4	122.4xd	130.2	-3.0	3.24

Medical Investments Ltd (1100)F
1 White Hart Yard, London SE1 1NX 071-407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Health Fund	5½	48.36	48.36	52.68	-0.77	1.31

National Provident Inv Mgrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
NPI American Acc ♥	5	57.67	57.74	61.43	-1.02	1.68
NPI American Dist ♥	5	54.26	54.32	57.79	-0.96	1.68
NPI European Acc	5	62.65	62.78	66.79	-1.92	0.23
NPI European Dist	5	61.68	61.81	65.76	-1.90	0.23
NPI Far East Acc ♥	5	92.93	93.54	99.51	-3.85	0.48
NPI Far East Dist ♥	5	92.27	92.87xd	98.80	-3.82	0.48
NPI O'seas Acc	5	753.8	757.2	805.5	-17.0	1.46
NPI O'seas Dist	5	590.2	592.9xd	630.7	-13.8	1.46
NPI UK Acc	5	396.4	400.9	426.5	-4.10	4.21
NPI UK Dist	5	224.0	226.4	240.9	-2.40	4.21
NPI W'wide Acc	5	62.02	62.79	66.80	-1.65	0.22
NPI W'wide Dist	5	59.79	60.54	64.40	-1.58	0.22

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; § - 1101 to 1400 hours; ♦ - 1401 to 1700 hours, ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a first quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	58.8	61.9	-0.7	-
Stock Market Mngd Fund	55.2	58.1	-0.9	-
Equity Fund	62.4	65.7	-0.5	-
International Fund	48.7	51.3	-1.4	-
European Fund	58.9	62.0	-1.7	-
North American Fund	48.2	50.8	-1.3	-
Pacific Fund	50.9	53.5	-1.9	-
Property Fund	87.1	91.7	---	-
Fixed Interest Fund	51.3	54.0	---	-
Index linked Sec Fund	57.8	60.9	---	-
Deposit Fund	65.2	68.7	---	-
NUAM Retirement Plan				
Mixed Fund	63.7	67.0	-0.7	-
UK Ordinary Share Fd	71.6	75.3	-0.6	-
International Fund	53.0	55.8	-1.5	-
Property Fund	85.4	89.9	+0.1	-
Fixed Interest Fund	61.1	64.3	---	-
Index Linked Sec Fund	61.0	64.2	---	-
Deposit Fund	75.4	79.3	---	-
NUAM (MF)				
Managed Fund	835.0	879.0	-8.5	-
Equity Fund	1727.8	1818.8	-11.0	-
International Fund	128.6	135.4	-3.8	-
Property Fund	551.2	580.3	+0.1	-
Fixed Interest Fund	384.5	404.8	+0.4	-
Index Linked Sec Fund	58.9	62.0	---	-
Deposit Fund	268.1	282.3	+0.1	-

Norwich Union Life Insurance Soc.
Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Life				
With Profits Fd	104.77	110.29	+0.03	-
Managed Fd	79.59	83.78	-0.98	-
UK Ord Share Fd	81.62	85.92	-0.62	-
International Fd	72.13	75.93	-2.09	-
European Fd	81.67	85.97	-2.41	-
North American Fd	73.53	77.40	-2.02	-
Pacific Fd	64.46	67.86	-2.29	-
Property Fd	100.03	105.29	+0.02	-
Fixed Int Fd	92.58	97.45	+0.01	-
Intl Bond Fd	88.58	93.24	+0.01	-
Deposit Fd	105.46	111.01	+0.03	-
Unitised Pensions				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Providence Capital Life Asse. Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Individual Pension Funds				
UK Equity Acc	196.7	207.5	-0.8	-
UK Fixed Interest Acc	189.1	199.5	---	-
Intl Equities Acc	193.2	203.9	-0.9	-
UK Managed Acc	162.1	170.9	-0.4	-
Property Acc	207.5	218.9	+0.1	-
Money Acc	147.6	155.8	-4.2	-
Special Market Acc	205.8	217.1	-8.2	-
Japan Equity Acc	145.4	153.4	-5.3	-
North American Acc	102.3	108.0	-3.0	-
Pacific Acc	146.5	154.6	-3.2	-
Technology Acc	137.8	145.4	+0.2	-
Natural Resources Acc	102.7	108.4	-3.6	-
European Acc	102.7	108.4	---	-
Residential Prop Acc	105.7	111.5	-1.1	-
Swiss Equities Acc	31.6	33.4	-1.4	-
Hong Kong Acc	43.7	46.2	-0.3	-
UK High Inc Eqs Acc	62.8	66.3	-0.3	-
Intl Fixed Interest Acc	52.4	55.3	-0.1	-
Intl Managed Acc	50.9	53.6		-
Group Pension Funds				
Equity Acc	672.0	692.8	+2.5	-
Fixed Interest Acc	556.5	573.8	.....	-
Managed Acc	115.8	118.1	+0.2	-

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Unit Fund (Mixed)	936.4	983.2	-10.7	-
Equity Fund	208.9	219.3	-3.2	-
International Fd	120.8	126.8	-2.9	-
Fixed Interest Fd	154.9	162.6	-0.5	-
Property Fund	227.3	238.7	---	-
Index-Linked Fund	146.5	153.8	-0.1	-
Deposit Fund	154.8	162.5	---	-
Pens. Mixed (Ord) Fd	228.1	239.5	-2.4	-
Gold Pensions				
Discretionary Fund		111.1	-1.2	-
Equity Fund		107.9	-1.5	-
Fixed Interest Fund		113.3	-0.3	-
International Fund		93.2	-2.1	-
Property Fund		138.0	---	-
Index-Linked Fund		122.4	-0.1	-
Deposit Fund		132.0	---	-
S & F Consolidation		119.9	-0.2	-
S & F Balanced		112.2	-1.1	-
S & F Maximum Growth		81.9	-1.3	-

[illegible]

OFFSHORE INSURANCES

[illegible]

Sun Alliance International Life
PO Box 77, New St, St Peter Port, Guernsey 0481 714108

	Bid Price	Offer Price	+ or -	Yield Gross
North American Equity $	$7.93	8.53	----	-
Pacific Equity $	$7.16	7.71	----	-
Intl Currency $	$4.24	4.56	----	-
Intl Bond Fund $	$6.64	7.15	----	-
Gilt Fund £	£3.85	4.15	----	-
US Dollar Mngd Fd $	$1.59	1.71	----	-
Stlg Managed Fd £	£1.00	1.07	----	-

Target International Group
1 rue Emile Bian, Luxembourg Tlx 2809 Tel 4050751

	Bid Price	Offer Price	+ or -	Yield Gross
Sterling Pens Plan	£0.72	0.78	----	-
US Dollar Pens Plan	$0.73	0.79	----	-
Yen Pens Plan	Y250	267	----	-
Ecu Pens Plan	Ecu0.65	0.70	----	-
Sterling Man Fd	£1.01	1.07	----	-
Sterling Fixed Int Fd	£1.49	1.58	----	-
US Dollar Man Fd	$1.19	1.26	----	-
US Dollar Fixed Int Fd	$1.40	1.48	----	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MANAGEMENT SERVICES

[illegible]

J. D. Ward Financial Services Ltd
9 Kingsway, London, WC2 B6XF. 01-836 4321

	Bid Price	Offer Price	+ or -	Yield Gross
Target Mngd Bond	184.2	193.9	-1.4	-
Target Mngd Pension	112.1	118.1	-0.9	-
Albany Life Acc	165.3	173.9	-1.1	-
Albany Pens Acc	204.0	214.7	-1.5	-

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)

[illegible]

هكذا من الأصل

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Arab Bank Fund Managers (Guernsey) Ltd

Baring Int Fund Managers Guernsey Ltd

Sarasin (Isle of Man) Ltd

Target International (Isle of Man) Ltd

Tyndall International (Isle of Man) Ltd

Unibank Scandinavian Fund Ltd

JERSEY (SIB RECOGNISED)

MIM Britannia International Limited

Commercial Union Luxembourg SA (u)

S.G. Warburg Asset Mgmt Lux SA – Contd.

Wardley Investment Services (Lux) SA (u)

Target International Ltd

Templeton Worldwide Investments

Top Brand Fund Intl-SICAV (u)

Transworld Bond Trust

GW Investment Mngmt Ltd

Gaia Currency Funds

GAM Fund Management Ltd (u)

Gartmore Investment Ltd

North Star Fund Managers – Contd.

Optima Group

JERSEY (REGULATED)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firms on inflation fears

THE DOLLAR was firmer yesterday in a thin technical market still dominated by worries about US inflation. Sterling continued its recovery from last week's lower levels, while the Italian lira fell towards the bottom of the European Monetary System grid as money market rates eased.

The dollar began the day strongly in Europe after a large order to buy $2bn dollars for yen was executed towards the close of the previous session in New York. It then traded in a narrow range until the release of second quarter gross national product figures.

GNP rose by just 0.4 per cent, after adjusting for inflation, compared with a previous estimate of 1.2, and market expectations of a 1.1 increase. The large revision reinforced fears of an economic slowdown and the dollar moved lower.

However, the US currency rebounded slightly after Mr Wayne Angell, a Federal Reserve Board governor, said that cutting interest rates to offset the impact of higher oil prices would undermine monetary policy and could lead eventually to higher inflation.

Mr Angell's remarks backed up comments by Mr Alan Greenspan, chairman of the Fed, that there would not be an immediate change in monetary policy. But many dealers believe that the weakness in the American economy will force a loosening in policy.

Currency analysts added that the market remained short of dollars and would require more than words of reassurance from the Fed to close those short positions. Lower oil prices or a lessening of tension in the Gulf would be needed to tempt larger buyers back into the market.

The US dollar closed lower at DM1.5640 from DM1.5575; at SFr1.3005 from SFr1.2965; at Y137.25 from Y136.00; and at FFr5.2350 from FFr5.2125. The Bank of England's dollar index closed 0.2 point higher at 62.3.

Sterling continued to pull back from the lows posted last week as some fund managers took out fresh long positions and Middle Eastern investors squared their books. The pound dipped to low of 92.6 on Friday but yesterday it closed at 93.8, up 0.4.

The comments by Mr John Major, the chancellor, that there would not be any reduction in interest rates until inflation had started to fall, have begun to alter sentiment towards sterling. "Mr Major is begining to win the propaganda war," said Mr David Cocker, chief economist at Chemical Bank.

Sterling closed unchanged at DM2.9350; was easier at $1.8765 from $1.8845; but firmed to SFr1.3005 from SFr1.2965; and to Y137.25 from Y136.00; and to FFr5.2350 from FFr5.2125.

The lira became the second weakest currency within the EMS as money rates eased after the Bank of Italy supplied liquidity to the markets. The D-Mark firmed to L748.45 from L747.90 and the Bank was forced to buy lira for European Currency Units at the Milan fix.

£ IN NEW YORK

Sept.25	Latest	Previous Close
£ Spot	1.8735-1.8745	1.8810-1.8820
1 month	1.07-1.06pm	0.99-0.98pm
3 months	2.94-2.91pm	2.94-2.91pm
12 months	9.75-9.70pm	9.68-9.58pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sept.25	Previous
8.30 am	93.5	92.8
9.00 am	93.9	92.7
10.00 am	93.8	92.8
11.00 am	93.8	92.7
Noon	94.0	93.3
1.00 pm	94.0	93.6
2.00 pm	93.9	93.4
3.00 pm	93.8	93.4
4.00 pm	93.8	93.4

CURRENCY MOVEMENTS

Sept.25	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.8	-19.0
U.S Dollar	62.5	-16.8
Canadian Dollar	103.5	+1.3
Austrian Schilling	109.6	+11.7
Belgian Franc	111.4	-2.1
Danish Krone	110.6	+5.1
Deutsche Mark	118.8	+24.7
Swiss Franc	116.7	+25.1
Guilder	114.6	+16.1
French Franc	105.5	-11.3
Lira	99.4	-19.6
Yen	129.9	+63.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Sep.24.

CURRENCY RATES

Sep 25	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.744779	0.699288
U.S Dollar	7	1.39795	1.32165
Canadian $	12.82	1.60750	1.51818
Austrian Sch	6½	15.3998	14.4959
Belgian Franc	10¼	44.9721	42.4053
Danish Krone	10½	8.35695	7.86319
Deutsche Mark	6.00	2.18695	2.06006
Neth.Guilder	7.00	2.46528	2.32215
French Franc	10¼	7.31687	6.89904
Italian Lira	12½	1631.79	1541.05
Japanese Yen	6	N/A	180.935
Norway Krone	8	8.49814	7.98544
Spanish Peseta	–	137.090	129.231
Swedish Krona	11	8.06407	7.57969
Swiss Franc	6.00	1.82223	1.71181
Greek Drach	20½	N/A	202.874
Irish Punt	–	N/A	0.767511

† European Commission Calculations.
* All SDR rates are for Sep.24

OTHER CURRENCIES

Sep 25	£	$
Argentina	10806.7 - 10906.8	5730.00 - 5780.00
Australia	2.2700 - 2.2720	1.2030 - 1.2040
Brazil	132.400 - 133.000	70.200 - 70.700
Finland	6.9970 - 7.0105	3.7110 - 3.7140
Greece	283.80 - 295.95	150.10 - 156.35
Hong Kong	14.6390 - 14.6530	7.7590 - 7.7610
Iran	123.70*	66.20*
Korea(Sth)	1338.85 - 1360.50	711.50 - 717.10
Kuwait	N/A	N/A
Luxembourg	60.25 - 60.35	32.10 - 32.20
Malaysia	5.0885 - 5.1010	2.6995 - 2.7015
Mexico	5458.10 - 5462.85	2894.00 - 2895.00
N.Zealand	3.0345 - 3.0395	1.6080 - 1.6110
Saudi Ar	7.0680 - 7.0810	3.7495 - 3.7505
Singapore	3.3270 - 3.3350	1.7650 - 1.7670
S.Af (Cm)	4.8200 - 4.8320	2.5580 - 2.5600
S.Af (Fn)	7.1205 - 7.2575	3.7735 - 3.8460
Taiwan	51.50 - 51.60	27.30 - 27.35
U.A.E.	6.9180 - 6.9355	3.6700 - 3.6735

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sep 25	% change from central rate	% spread vs weakest narrow band currency	Divergence indicator
Spanish Peseta	132.889	129.231	-2.75	3.68	48
Belgian Franc	42.1679	42.4053	0.56	0.27	-9
Irish Punt	0.763159	0.767511	0.57	0.26	-9
French Franc	6.85684	6.89904	0.62	0.21	-14
Italian Lira	1529.70	1541.05	0.74	0.09	-18
German D-Mark	2.04446	2.06006	0.76	0.07	-25
Dutch Guilder	2.30358	2.32215	0.81	0.02	-21
Danish Krone	7.79845	7.86319	0.83	0.00	-21

Changes are for Ecu, therefore positive change denotes a weak currency
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8740 - 1.8955	1.8760 - 1.8770	1.07-1.05cpm	6.78	2.94-2.91pm	6.24
Canada	2.1515 - 2.1775	2.1555 - 2.1565	0.49-0.40cpm	2.48	1.29-1.18pm	2.29
Netherlands	3.30 - 3.33	3.30 - 3.31	2-1¾cpm	6.81	5¾-5pm	6.13
Belgium	60.10 - 60.90	60.25 - 60.35	33-30cpm	6.27	89-82pm	5.67
Denmark	11.16½ - 11.28½	11.16½ - 11.17½	4⅞-3⅝orepm	4.30	11-9⅞pm	3.74
Ireland	1.0960 - 1.1010	1.0960 - 1.0970	0.45-0.40ppm	4.65	1.10-1.00pm	3.83
W. Germany	2.92¼ - 2.95¼	2.93¼ - 2.93¾	1⅞-1⅝pfpm	6.90	4⅝-4⅜pm	6.13
Portugal	259.20 - 262.70	259.30 - 260.30	63-32cpm	2.19	34-25pm	0.45
Spain	182.95 - 185.65	183.30 - 183.60	9-1cpm	0.33	10-2pm	0.13
Italy	2189¼ - 2211¼	2193¼ - 2194¼	10-8cpm	4.92	22-20pm	3.83
Norway	11.33½ - 11.45¼	11.34¼ - 11.35¼	4¼-3¼cpm	4.23	10⅜-10⅛pm	3.61
France	9.80½ - 9.89¼	9.82 - 9.83	4¼-4cpm	5.04	10¾-10⅜pm	4.30
Sweden	10.75¼ - 10.88	10.77 - 10.78	2⅛-1⅞orepm	2.23	4⅛-3⅞pm	1.53
Japan	257 - 259½	257 - 258	1½-1⅜ypm	6.70	4⅛-3⅞pm	6.21
Austria	20.58 - 20.80	20.58 - 20.61	11½-10grcpm	6.26	30⅞-28¼pm	5.79
Switzerland	2.43¾ - 2.45½	2.43½ - 2.44½	1½-1⅜cpm	7.07	4-3⅞pm	6.35
ECU	1.4130 - 1.4270	1.4140 - 1.4150	0.61-0.58cpm	5.05	1.58-1.53pm	4.40

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.57-5.52cpm . 12 Month 9.75-9.65cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8740 - 1.8955	1.8760 - 1.8770	1.07-1.05cpm	6.78	2.94-2.91pm	6.24
Ireland†	1.7170 - 1.7260	1.7170 - 1.7180	0.36-0.31cpm	2.34	1.15-1.05pm	2.56
Canada	1.1465 - 1.1500	1.1490 - 1.1500	0.40-0.43cdis	-4.33	1.13-1.17dis	-4.00
Netherlands	1.7515 - 1.7625	1.7615 - 1.7625	0.03dis-par	-0.10	0.01-0.05dis	-0.07
Belgium	31.95 - 32.20	32.10 - 32.20	par-2cdis	-0.37	2-8dis	-0.62
Denmark	5.93 - 5.96¼	5.95 - 5.95½	1.05-1.35oredis	-2.42	3.30-3.90dis	-2.42
W. Germany	1.5535 - 1.5645	1.5635 - 1.5645	0.01dis-0.01pfpm	0.01	par -0.03dis	-0.04
Portugal	138.30 - 138.75	138.65 - 138.75	45-60cdis	-4.54	200-230dis	-6.20
Spain	97.50 - 97.95	97.85 - 97.95	50-56cdis	-6.50	146-155dis	-6.15
Italy	1162 - 1170¼	1168¾ - 1169¼	0.90-1.40liredis	-1.18	6.20-5.90dis	-2.07
Norway	6.03 - 6.05	6.04½ - 6.05	1.10-1.45oredis	-2.53	3.80-6.30dis	-3.34
France	5.20 - 5.23¼	5.23¼ - 5.23¾	0.73-0.78cdis	-1.73	2.48-2.58dis	-1.93
Sweden	5.72½ - 5.74½	5.74 - 5.74½	2.05-2.30oredis	-4.55	6.60-7.05dis	-4.75
Japan	136.30 - 137.30	137.20 - 137.30	par-0.02ypm	0.09	0.01pm-0.02dis	-0.01
Austria	10.93½ - 10.99¾	10.99 - 10.99½	0.05-0.40grodis	-0.25	1.10-1.20dis	-0.42
Switzerland	1.2905 - 1.3000	1.3000 - 1.3010	0.06-0.02cpm	0.37	0.07-0.02pm	0.14
ECU	1.3240 - 1.3325	1.3255 - 1.3265	0.19-0.17cpm	1.63	0.62-0.59pm	1.83

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Sep 25	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞ - 14⅞	15 - 14⅞	14⅞ - 14⅞	14⅞ - 14¾	14⅞ - 14¾	14½ - 14⅜
US Dollar	8¼ - 8⅛	8¼ - 8⅛	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8
Can. Dollar	12¼ - 11⅞	12½ - 12¼	12⅜ - 12¼	12⅜ - 12¼	12¼ - 12⅛	11¾ - 11½
D. Guilder	8⅛ - 8	8¼ - 8⅛	8⅜ - 8¼	8½ - 8⅜	8⅝ - 8½	8⅞ - 8¾
Sw. Franc	7⅞ - 7¾	7⅞ - 7¾	8⅛ - 7⅞	8¼ - 8⅛	8⅜ - 8¼	8⅜ - 8¼
Deutschmark	8⅛ - 8	8⅛ - 8	8⅜ - 8¼	8⅝ - 8½	8¾ - 8⅝	9⅛ - 8⅞
Fr. Franc	9⅞ - 9⅞	9⅞ - 9⅞	10⅛ - 9⅞	10⅜ - 10¼	10⅝ - 10½	10⅞ - 10⅞
Italian Lira	13 - 11	9⅞ - 8⅞	9⅞ - 9⅝	10⅜ - 10⅛	11⅛ - 11	12 - 11⅜
Belgian Franc	8⅞ - 8⅞	8⅞ - 8⅞	9 - 8⅞	9⅛ - 8⅞	9⅜ - 9¼	9⅝ - 9½
Yen	7⅞ - 7⅞	9¼ - 9	8⅛ - 8⅛	8⅛ - 8⅛	8⅛ - 8⅛	8⅛ - 8⅛
D.Krone	10⅞ - 10⅞	10⅞ - 10⅞	10⅞ - 10⅞	10⅞ - 10⅝	10⅞ - 10⅝	10⅞ - 10⅝
Asian $Sing	8¼ - 8⅛	8¼ - 8⅛	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8

Long term Eurodollars: two years 8¾-8⅝ per cent; three years 9⅛-8⅞ per cent; four years 9⅜-9⅛ per cent; five years 9⅜-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sept 25	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.877	2.935	257.5	9.825	2.440	3.305	2194.	2.156	60.30
$	0.533	1	1.564	137.2	5.234	1.300	1.761	1169	1.149	32.13
DM	0.341	0.640	1	87.73	3.348	0.831	1.126	747.5	0.735	20.55
YEN	3.883	7.289	11.40	1000.	38.16	9.476	12.83	8520	8.377	234.2
F Fr.	1.018	1.910	2.987	262.1	10.	2.483	3.364	2233	2.194	61.37
S Fr.	0.410	0.769	1.203	105.5	4.027	1.	1.355	899.2	0.884	24.71
H Fl.	0.303	0.568	0.888	77.91	2.973	0.738	1.	663.8	0.652	18.25
Lira	0.456	0.856	1.338	117.4	4.478	1.112	1.506	1000.	0.983	27.48
C $	0.464	0.871	1.361	119.4	4.557	1.132	1.533	1018	1.	27.97
B Fr.	1.658	3.113	4.867	427.0	16.29	4.046	5.481	3638	3.575	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% [illegible]

LIFFE EURODOLLAR OPTIONS $1m points of 100% [illegible]

LIFFE EURODOLLAR OPTIONS $1m points of 100% [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% [illegible]

LONDON (LIFFE) [illegible]

CHICAGO [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) [illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF) [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open Int.
March	89.61	89.61	+0.03	89.62	89.57	10.39	4,399
June	89.59	89.57	+0.01	89.60	89.55	10.42	652
September	89.59	89.59	+0.05	89.59	89.59	10.44	8

Estimated volume 6,443 Total Open interest 19,150

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
September	1495.0	1483.0	-11.0	1518.0	1470.0	8,237
October	1510.0	1484.0	-10.0	1517.0	1469.0	5,238
November	1512.0	1489.0	-10.0	1512.0	1489.0	80
December	-	-	-	-	-	51

Estimated volume 19,921 Total Open Interest 13,606

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd.	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williman Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk. of Kuwait	15		

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MONEY MARKETS

UK rates steady

UK MONEY rates were steady yesterday as the market digested comments by Mr John Major, the chancellor, that there would be no early cut in interest rates.

Despite sterling's recovery from its lower levels of last week - at DM2.9350 against DM2.9125 on Friday - money dealers hold out little hope for any immediate change in interest rate policy until sterling's entry into the European exchange rate mechanism.

Money market rates remained locked in a tight range and trading was quiet.

UK clearing bank base lending rate 15 per cent from October 5, 1989

Slowing the market down has been the continuation of the Bank of England's relatively generous policy towards its liquidity needs.

Three months inter-bank money was quoted at 14⅞-⅞ per cent, unchanged from the previous close. One month money was steady at 14⅞-⅞ per cent and one year was also stable at 14½-⅜. In the futures market, December short sterling closed unchanged at 85.66. Turnover was down by over a half, reflecting the lack of activity in the interest rate futures market.

In its money market operations the Bank bought a total of £447m bills, compared with its forecast shortage of £550m. During the morning it bought £231m of band 1 bank bills at 14⅞ per cent. After lunch it purchased a further £136m of band 1 bills at unchanged rates. Finally, late assistance of around £80m was provided.

Among the factors contributing to the shortage were bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills, which drained £328m. Exchequer transactions absorbed a further £285m, while banker's balances were £75m below target. This was partly offset by a £90m fall in the note circulation.

In Frankfurt call money rates were steady at 8.00-8.05 per cent in quiet trading before today's securities repurchase tender. Yesterday, the Bundesbank set a 28-day repurchase pact at variable bid rates, which will replace an expiring DM10bn pact.

In New York the Federal Reserve added liquidity to the banking system using an overnight system repurchase agreement.The tightness of the US money market had led analysts to expect an addition of reserves. At the time of the Fed's money market intervention, Federal Funds were trading at 8⅛ per cent, compared with 8¼.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.25) 3 month US dollars / 6 months US Dollars [illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds [illegible]

Frankfurt, Paris, Zurich, Amsterdam, Tokyo, Milan, Brussels, Dublin [illegible]

LONDON MONEY RATES

Interbank Offer, Interbank Bid, Sterling CDs, Local Authority Deps., Local Authority Bonds, Discount Mkt Deps., Company Deposits, Finance House Deposits, Treasury Bills (Buy), Bank Bills (Buy), Fine Trade Bills (Buy), Dollar CDs, SDR Linked Dep. Offer, SDR Linked Dep. Bid, ECU Linked Dep. Offer, ECU Linked Dep. Bid [illegible]

Treasury Bills (sell): one-month 14⅜ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month [illegible] per cent; three months [illegible] per cent; Treasury Bills; Average tender rate of discount 14.2109 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 31, 1990. Agreed rates for period Sept 26,1990 to Oct 25, 1990, Scheme I: 15.80 p.c. Scheme II & III: 16.27 p.c. Reference rate for period Aug 1,1990 to Aug 31, 1990, Scheme IV&V: 15.021 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from September 1, 1990. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11¼ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989 . Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES-Gross rate to those annual interest payable: rate of CAR: Gross annualised to basic rate taxpayers: Gross compounded annual rate. Int Cr: frequency interest credited.

JOTTER PAD

CROSSWORD

No.7,351 Set by HIGHLANDER

ACROSS
1 By contrast, newspaperman is baffled (6)
4 Perfect order for dessert (5,3)
10 Old tax collector is cut off with retainer (9)
11 Hitch-hike in the north? Umbrellas advised (5)
12 Looked after minor drawback (4)
13 Obviously it's individual if style is new (10)
15 Brazilian diplomacy may ensure that mob disperses (4,3)
16 Foreign leader confuses her in endless rage (6)
19 Mounting agreement is reported (6)
21 Cut dressing – put coat on (7)
23 Old-fashioned officer is better in battle (3-7)
25 The French cardinal points to magnifying glass (4)
27 Understand note on file (5)
28 Wine shop is disturbed about railway getting possession (9)
29 Hear appalling family criticism (8)
30 Attempt by American writer to produce verse (6)

DOWN
1 Worry over effort going into carving (8)
2 Run up debts without interest (9)
3 Gaelic poetry is a non-starter (5)
5 Leading churchman keeps quiet about minor disagreement (7)
6 Exact wording on principal item of business stationery (10)
7 Young bird seen in post office last month (5)
8 Beginning to upset me, the spirit said (6)
9 Catch up after motorway roundabout and pass on (6)
14 Gallant attendant – like Lady Chatterley's lover? (10)
17 Leap requiring fancy footwork there; can't otherwise make it (9)
18 Irritably grabs parking place as tyre goes down (8)
20 Article on smell by medical man could be powerful deterrent (3,4)
21 Warp round a couple of points – fish there (6)
22 Determined to be followed (6)
24 Decorative headdress: it goes round a sun god (5)
26 King and emperor trapped into forming musical group (4)

Solution to Puzzle No.7,350

NO GOING BACK AFT / CRAMP ROYAL ROAD / EARLY DAYS MOIRE / UPGRADE MAZE / BYRE SHOWMAN / PIANO VERDIGRIS / EUPHEMISE EMEND / HUE TIGHTFISTED

WORLD STOCK MARKETS

CANADA

TORONTO

2pm prices September 25

INDICES

NEW YORK

DOW JONES	Sept. 24	Sept. 21	Sept. 20	Sept. 19	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2452.97	2512.38	2518.32	2557.43	2999.75 (16/7)	2452.97 (24/9)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	88.44	89.14	89.29	89.26	93.04 (3/1)	88.44 (24/9)	—	—
Transport	841.90	876.66	879.99	888.31	1212.77 (6/6)	841.90 (24/9)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	199.76	201.71	200.33	201.52	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2498.02 (2538.37) Low 2438.12 (2479.95)

STANDARD AND POOR'S

	Sept. 24	Sept. 21	Sept. 20	Sept. 19	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	304.59	311.32	311.48	316.60	368.95 (16/7)	304.59 (24/9)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	359.32	367.10	367.62	374.05	437.37 (16/7)	359.32 (24/9)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	20.96	21.76	22.01	22.58	31.87 (3/1)	20.96 (24/9)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	167.51	171.03	171.22	173.91	201.13 (16/7)	167.51 (24/9)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	312.84	316.01	317.18	318.97	382.45 (5/1)	312.84 (24/9)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	352.16	362.25	364.43	371.68	469.60 (16/7)	352.16 (24/9)	485.73 (9/10/89)	54.87 (31/10/72)

	Sept.21	Sep.14	Sept 7	year ago (approx.)
Dow Industrial Div. Yield	4.03	3.95	3.86	3.75

	Sept 19	Sept12	Sept 5	year ago (approx.)
S & P Industrial div. yield	3.29	3.28	3.24	2.81
S & P Indl. P/E ratio	15.12	15.44	15.47	14.42

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Chase Mhttn.	5,076,900	11⅛	- 1⅛
Boeing	2,920,700	40⅛	- 3⅛
Citicorp	2,449,500	15¼	- ½
Pepsico	2,013,100	21⅝	- ⅝
Philip Morris	2,003,300	43⅞	- ⅞
IBM	1,993,700	105	- 1¾
Gen. Electric	1,987,000	54½	- 1⅜
Comp. Assoc.	1,914,500	4⅞	- ½
Wal-Mart	1,574,300	25⅞	- ½
Gen. Motors	1,544,500	36⅛	- ½

TRADING ACTIVITY

† Volume (Millions)	Sept. 24	Sept.21	Sept. 20
New York	162.210	201.050	145.100
Amex	10.898	10.822	9.348
NASDAQ	114.826	124.238	107.920
Issues Traded	1.983	1.986	1.971
Rises	236	602	286
Falls	1.418	920	1.241
Unchanged	329	464	444
New Highs	6	11	6
New Lows	455	270	259

CANADA TORONTO

	Sept 24	Sept 21	Sept 20	Sept 19	1990 HIGH	1990 LOW
Metals & Minerals	2904.20	2984.66	3034.39	3079.30	3453.05 (4/1)	2850.80 (23/4)
Composite	3227.10	3235.38	3256.36	3275.58	4009.47 (3/1)	3227.10 (24/9)
MONTREAL Portfolio	1695.92	1707.30	1715.54	1726.13	2060.90 (3/1)	1695.92 (24/9)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sept. 25	Sept. 24	Sept. 21	Sept. 20	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1393.8	1412.5	1428.0	1446.6	1713.7 (2/1)	1393.8 (25/9)
All Mining (1/1/80)	700.1	707.0	715.9	727.0	860.8 (5/1)	700.1 (25/9)
AUSTRIA						
Credit Aktien (30/12/84)	400.98	412.53	443.33	458.46	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	4959.99	5047.94	5113.75	5211.19	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	(u)	338.76	342.82	348.74	388.29 (20/7)	338.76 (24/9)
FINLAND						
Unitas General (1975)	427.1	432.5	439.7	444.1	677.3 (23/1)	427.1 (25/9)
FRANCE						
CAC General (31/12/82)	414.27	418.06	418.36	428.76	564.62 (30/5)	414.27 (25/9)
CAC 40 (31/12/87)	1485.39	1502.52	1543.53	1540.60	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	583.33	607.08	611.02	627.79	832.32 (19/7)	583.33 (25/9)
Commerzbank (1/12/53)	1670.4	1742.8	1754.3	1808.7	2414.0 (3/4)	1670.4 (25/9)
DAX (30/12/87)	1353.40	1416.05	1446.57	1457.51	1968.55 (30/3)	1353.40 (25/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2807.50	2861.77	2931.86	2984.54	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1230.28	1242.25	1247.63	1263.05	1893.18 (22/1)	1230.28 (25/9)
ITALY						
Banca Com. Ital. (1972)	554.30	562.97	562.38	572.22	763.52 (14/6)	554.30 (25/9)
JAPAN						
Nikkei (16/5/49)	23359.32	(c)	23777.83	23602.98	38712.88 (4/1)	23359.32 (25/9)
Tokyo SE (Topix) (4/1/68)	1719.36	(c)	1769.77	1767.97	2867.70 (4/1)	1719.36 (25/9)
2nd Section (4/1/68)	3280.17	(c)	3342.89	3394.54	4477.16 (16/7)	3280.17 (25/9)
MALAYSIA						
KLSE Composite (4/4/86)	484.43	494.81	507.24	518.58	632.22 (1/8)	480.77 (23/8)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	232.4	235.1	239.6	240.1	271.9 (20/7)	232.4 (25/9)
CBS All Shr (End 1983)	170.7	172.6	175.9	176.3	286.3 (3/1)	170.7 (25/9)
NORWAY						
Oslo SE (Ind) (2/1/83)	820.99	835.62	840.53	853.85	915.13 (2/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	567.11	605.71	626.26	643.91	1160.78 (21/5)	567.11 (25/9)
SINGAPORE						
SES All-Singapore (2/4/75)	315.18	320.25	326.23	331.89	446.87 (16/7)	315.18 (25/9)
SOUTH AFRICA						
JSE Gold (28/9/78)	1502.0&	1514.0	1492.0	1497.0	2250.0 (16/1)	1322.0 (28/6)
JSE Industrial (28/9/78)	2663.0&	2672.0	2673.0	2687.0	3211.0 (6/2)	2663.0 (25/9)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	593.77	587.39	584.60	585.19	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	218.41	216.31	221.20	224.14	309.74 (16/7)	218.41 (25/9)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	994.1	1030.1	1061.6	1086.7	1329.9 (5/7)	994.1 (25/9)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	620.2	632.7	649.1	652.5	845.5 (13/7)	620.2 (25/9)
TAIWAN**						
Weighted Price (30/6/66)	2701.84	2807.21	3111.41	2956.72	12495.34 (10/2)	2701.84 (25/9)
THAILAND						
Bangkok SET (30/4/75)	613.95	647.11	637.95	647.35	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	442.2	445.3	446.5	571.0 (4/1)	442.2 (24/9)

**Saturday September 22: Taiwan Weighted Price: 2998.38. Korea Comp Ex. 584.94

& Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 25 September, 1990

	Stocks Traded	Closing Prices	Change on day
Kobe Steel	45.2m	566	+1
Hitachi	5.7m	1,210	-70
Nippon Lt Mtl	4.5m	1,000	-150
Iwatani Co	3.9m	1,290	+70
TokyuDeptStore	3.3m	1,670	-50
Iseki Co	3.2m	1,160	-50
Marubeni	3.1m	638	-17
Nippon Steel	2.9m	438	-10
Fukusuke	2.9m	1,910	+110
Kurabo Inds	2.8m	1,740	-40

3pm prices September 25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	12⅞	AAR	.48	3.6	8	228	13½	13	13½	
9⅝	7⅞	ACM n	1.01	13.		114	8	7⅞	8	+ ⅛
11⅜	8⅞	ACMIn	1.26	14.		949	9⅛	d 9	9	– ⅛
9¼	6⅝	ACM M	n1.01	16.		365	6¾	6⅝	6⅝	
12⅞	10	ACMMM	1.50	13.		233	11⅞	11½	11⅝	
11½	8⅛	ACM Sc	1.26	14.		1097	9⅛	d 8⅞	8⅞	– ⅛
9⅜	7¼	ACMSp	1.01	13.		399	7⅝	7⅜	7½	
24⅝	14⅝	AL Lab	.16	.8	17	33	19⅛	19	19⅛	+ ¼
5¾	1¼	AM Intl				304	1½	1⅜	1½	+ ⅛
23⅛	7	AM In pf	2	25.		45	8⅜	8	8⅛	– ⅜
107⅛	39¼	AMR			9	3962	42	40⅛	42	+2
4¾	2⅜	ARX			10	2	3⅛	3⅛	3⅛	
72¾	42⅞	ASA	3a	6.0		1337	50⅝	49⅝	50⅛	– ⅞
46⅞	30⅝	AbtLab	s.84	2.1	19	6166	39¾	39⅛	39⅝	+ ⅞
14⅞	11¼	Abitibi	g .50			132	13¾	13¾	13¾	
11⅝	5⅜	AcmeC	.40	7.0	7	177	5⅞	5⅞	5¾	
9⅝	6¼	AcmeE	.32	5.1	8	4	6¼	6¼	6¼	
32¾	18⅞	Acuson	s		28	649	27⅜	27	27¼	+ ⅛
16⅞	14⅛	AdaEx	2.06e	14.		129	14¾	14½	14⅝	– ⅛
15⅞	10	Adobe				34	13	12⅞	13	
20¼	17⅝	Adob pf	1.84	10.		8	18⅛	18	18⅛	+ ⅛
21⅝	20	Adob pf	2.40	12.		68	20¼	20⅛	20¼	+ ⅛
11⅜	4⅞	AMD			21	1075	5¼	5	5¼	
9¼	2¼	Advest	.16	6.7	30	60	2⅜	2¼	2⅜	– ⅛
62½	38⅝	AetnLf	2.76	7.1	6	4171	39⅝	d38⅛	39⅛	– ⅜
13¾	8¼	AflPb	.24	2.8		249	8¾	8½	8½	– ¼
25	14⅝	Ahmans	.88	6.1	8	3581	14¾	d13¾	14⅜	– ⅜
3⅜	1⅞	Aileen			6	23	2½	2½	2½	– ⅛
61	43	AirPrd	1.44	3.2	11	526	44⅝	44¼	44½	+ ⅛
27	16⅞	AirFrt s	.30	1.7	10	369	18	17⅞	17⅞	
24½	12⅝	Airgas			23	47	13	d12½	12½	– ⅛
20⅝	16½	Airlease	2.52	15.	8	20	17⅛	17	17	– ⅛

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22⅛	16⅞	RochG	1.58	8.5	10	24	18⅞	18¼	18¼	+ ¼
45¾	25½	RochTl	1.48	5.5	14	188	26⅞	26½	26¾	− ¼
22⅛	16¼	RckCtr	1.88	11.	18	213	16⅞	16¾	16¾	
28¾	19¾	Rockwl	.88	3.5	10	2383	24¾	23½	24½	
7⅝	5	RodRen			13	6	5⅝	5⅝	5⅝	+ ⅛
36⅞	25	RohHaas	1.24	5.0	6	1829	25⅞	d24¼	24¾	− ⅝
28⅞	14⅛	Rohr				678	14⅛	d14	14	− ⅜
15¼	9	RollinE	.09	1.0	20	1807	9¼	d 8⅝	8⅝	− ½
20⅛	15⅞	Rollins	.56	3.2	16	224	17¾	17⅝	17¾	
9¼	5¼	RolLess	.20	3.3	7	227	6¼	6	6⅛	+ ¼
15⅞	7½	Rowan				1677	14⅞	14½	14⅝	− ¼
25¼	19⅝	RBSct pr2.62e		14.		103	20¼	20	20¼	+ ⅛
87	63⅜	RoylD	4.25e	5.3	12	4699	80⅜	79⅝	80	− ½
9⅞	7¾	Royce	.52e	6.6		167	8	d 7⅞	8	+ ¼
45	31	Rubmd	.52	1.5	20	1050	34	33⅝	34	+ ¼
18⅛	13¾	RussBr	.40	2.6	14	3	15½	15½	15½	
13	5⅞	RussTg	.20	3.4		46	5⅞	5⅞	5⅞	− ⅛
31	20⅝	Russell	.32	1.5	13	361	21¼	21	21¼	+ ⅛
28½	13⅜	Ryder	.60	4.3	42	1577	14	13⅝	14	+ ⅜
25½	15¼	Rykoff	.60	3.6	18	73	16⅞	16⅝	16¾	+ ⅛
24	10⅞	Ryland	.60	5.6	4	293	11	d10⅝	10¾	− ⅛
10½	7	Rymr pf1.17		16.		4	7¼	7⅛	7⅛	− ⅛
		– S – S – S –								
41	33½	SCEcp	2.64	7.4	9	2027	35⅞	35¼	35¾	+ ½
14½	8½	SCOR U	.20	2.2	12	31	9⅛	9⅛	9⅛	
8½	4⅝	SL Ind	.16	2.8	113	1	5⅝	5⅝	5⅝	− ⅛
65½	30¾	SPSTec	1.28	3.9	16	22	33	32½	32½	− 1
[illegible]										
65⅝	34⅛	Xerox	3	8.9		2387	[illegible]	[illegible]	[illegible]	
49	45½	Xerox pf4.13		9.0		6	46	46	46	+ ⅛
32⅞	16½	XTRA	.72	4.2		19	17⅛	17⅛	17⅛	− ½
25¼	16⅜	XTRA pf1.94		12.		2	16⅜	16⅜	16⅜	− ⅛
4	1¼	Zapata				159	1⅜	1¼	1¼	− ⅛
9⅞	5	Zemex				3	5½	5½	5½	+ ⅛
17¾	5¼	ZenithE				313	5½	5⅛	5½	
19½	13⅛	ZenNtl	.88	6.4	8	4	13¾	13¾	13¾	− ⅛
8⅝	4½	Zenix	.95	19.		99	5⅛	4⅞	5	
17½	10½	Zero	.40	3.8	11	197	10⅝	10½	10⅝	+ ⅛
51⅛	33	Zurnia	.76	2.4	14	663	32⅞	d31½	32	− 1⅛
12⅞	10⅝	Zweig	1.18e	11.		383	10½	10⅜	10⅜	
10	8½	ZweigTl	.96	11.		814	8⅝	8½	8½	

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices September 25

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices September 25

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
Wolohn	.28b	7 178	12¾	12¼	12½	+ ¼
WivExp		30	7⅜	7¼	7⅜	+ ⅛
Wolv wt		157	3⅝	3⅜	3⅝	+ ⅛
Worthg	.60	14 389	19⅜	19	19¼	+ ¼
Wyman	.80	924	8½	d 8	8½	− ⅛
– X – Y – Z –						
XL Dta		4 198	7	6⅞	7	
XOMA		759	16¼	15¾	16	+ ½
Xicor		458	1½	1⅜	1⅜	
YenEnS	1.52	15 33	19	18¾	19	+ ¼
YelowF	.82	41 2220	20½	20	20½	+ ½
YorkRs		11 417	9	8½	8⅝	− ⅛
ZionBc	1.44	7 x43	25⅛	24¾	24¾	− ¼

AMERICA

Dow cautiously retraces some of Monday's losses

Wall Street

AFTER a shaky start, the equity market gingerly retraced some of Monday's substantial losses to stand modestly higher at midsession, *writes Janet Bush in New York.*

At 1.30 pm, the Dow Jones Industrial Average was quoted 15.84 higher at 2,468.81 on moderate volume of 103m shares. The Dow had closed 59.41 lower on Monday at 2,452.97.

Equities slipped into negative territory in morning trading as crude oil prices continued to edge higher. On the New York Mercantile Exchange, November futures were quoted around 25 cents higher. However, by midsession, the November contract had slipped back again to be quoted 45 cents lower at $37.80 a barrel which helped stocks to recover some ground.

Another reason for early nervousness was the release of final revisions by the Commerce Department of second quarter GNP. The Department estimated that GNP had grown by only 0.4 per cent in the second quarter compared with a gain of 1.2 per cent previously reported.

The prime source of the change was a lower estimate for net exports which has been one area helping to keep the economy growing this year as manufacturing has become increasingly sluggish.

Growth of only 0.4 per cent could, in normal circumstances, prompt easier monetary policy from the Fed. However, the huge surge in oil prices since early August makes it much more difficult for the Fed to ease to keep economic growth going.

Fed Governor Mr Wayne Angell drove this home yesterday when he warned against easier monetary policy in view of higher oil prices. He said the Fed would lose credibility if it were to ease now.

One of the most active issues on the New York Stock Exchange yesterday morning was Philip Morris which gained $½ to $44⅝. General Electric rose $½ to $55. Its NBC news subsidiary announced it was laying off around 25 people or 2.5 per cent of its workforce.

One of the day's most dramatic movers was MCA which jumped $22¼ to $56⅝ on news that the company is discussing a possible acquisition by Matsushita Electric Industrial Co. Reports estimated the price at between $80 and $90 a share.

Paramount Communications jumped $2⅜ to $34, apparently benefiting from takeover talk in the entertainment sector.

American Brands gained $1¼ to $67¼ after announcing a 2-for-1 stock split and a boost in its quarterly dividend. The new dividend rate is equal to 77 cents a share compared with 68 cents a share before the stock split.

DeSoto, a manufacturer of paints and detergents, added $¼ to $41¼ after disclosing in a filing with the Securities and Exchange Commission that it might pay a $35.50 a share special dividend when a planned restructuring and partial liquidation are completed.

Canada

TORONTO stocks steadied at lower levels at midday after a sharp opening loss triggered by a heavy sell-off in New York on Monday. The composite index lost 24.3 to 3,202.8 on volume of 13.3m shares. Declines led advances by 268 to 137.

Bank shares dropped after a Donaldson, Lufkin and Jenrette analyst cut his earnings estimates for several US banks. Bank of Nova Scotia eased C$⅜ to C$11⅜, Canadian Imperial lost C$⅜ to C$22¼ and Toronto-Dominion fell C$⅜ to C$15⅛.

The pendulum swings back in South Korea

Investor disillusionment and higher oil prices have taken their toll, writes John Ridding

AT THE end of the 1980s the question everyone asked about the Korean stock market was: "How far can it climb?" Now, longer-faced brokers wonder instead just how far can it fall. The Seoul market, which soared by a staggering 90 per cent in 1987 and 73 per cent in 1988, paying scant attention to Black Monday, is now matching all but Taipei and Tokyo in its rate of decline.

The composite market index is currently hovering between 580 and 600 points, closing yesterday at 593.77, more than 40 per cent below its peak of April 1989. About one third of the decline has taken place since Iraqi tanks rolled into Kuwait.

Investors are rightly concerned about the implications of the invasion. South Korea is dependent on imports for its oil supplies, which represent 54 per cent of national energy requirements. More importantly, Korea's export-oriented economy is particularly vulnerable to any slowdown in international growth rates.

The crisis in the Gulf, however, is only adding to existing worries. Chief among these are an inflation rate well on its way to double figures and a marked slowdown in export performance. July's current account surplus, the first of the year, seems unlikely to be repeated, and the Government is now forecasting a trade deficit of between $3bn and $5bn for 1990, compared with a surplus of $4.6bn last year.

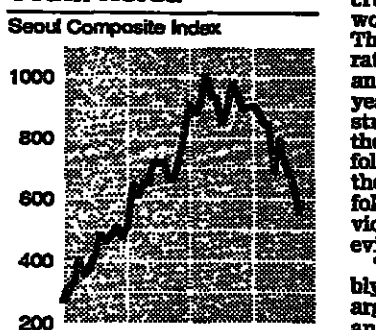
But the most important cause for pessimism lies in the minds of investors. A widespread feeling of disillusionment fostered by inexperience of such losses in Seoul's traditionally booming bourse means that individual investors, who have traditionally accounted for more than 60 per cent of trading, are reluctant to trust the market again.

Mr Suh Jung Sun, executive director of Daewoo capital management, says: "A lot of people are just sick and tired of the market. Once the psychology is that bad, it is awfully difficult to turn around."

Institutions, too, give little cause for optimism. While

South Korea

Seoul Composite Index



Source: Datastream

much of the recent buying has been done by the $5bn stock market stabilisation fund – created through contributions by domestic financial companies – the high level of receivables and margin contracts means that any recovery quickly runs into strong selling pressure.

A series of other measures have been implemented in an attempt to revive the sagging market. Last week, the Ministry of Finance announced the creation of new unit trusts worth Won2.6 trillion ($3.7bn). The trusts have a guaranteed rate of return of 10 per cent and are redeemable after three years. The initial response was strongly favourable, sending the index up by 4 per cent the following day. But since then, the downward drift which has followed the Government's previous interventions has been in evidence again.

"The Government is probably doing as much as it can," argues Mr Todd Kilborn, senior analyst at James Capel in Seoul. "But they are constrained by the danger of further adding to inflation."

For all these reasons, the consensus among stock analysts is that the index has further to fall. "We think that the bottom is about 500 points," says Mr Bin Sohn, senior analyst at Pru-Bache, expressing a sentiment shared by many of his counterparts at other securities companies.

The implications of the downturn go further than the pockets of investors. The resulting weakness of domestic securities companies has increased calls to delay the opening of the stock market to foreign investment, scheduled for 1992. The Ministry of Finance says it is committed to its timetable, but faces growing pressure to postpone it.

Foreign investors, too, are feeling the brunt of the Seoul market's decline. The relatively small number of convertible bonds, bonds with warrants and internationally traded funds have seen their premiums to net asset value evaporate.

The London listed Korea Euro Fund, for example, has seen its premium eroded from 80 per cent to less than 10 per cent since the beginning of the year. Mr Torquil McAlpine of Schroders Securities says: "We are seeing very little activity in the various Korean instruments."

Another foreign broker comments: "The days of unrealistic premiums are certainly over, and with the mood the way it is, buying interest is going to take some time to rekindle."

ASIA PACIFIC

Japanese despondent after long weekend

Tokyo

INVESTORS returned from their long weekend to see earlier recovery hopes dashed by Monday's events elsewhere, weak volume and bouts of selling which took shares to a new 1990 low, *writes Michiyo Nakamoto in Tokyo.*

The market was despondent. The surge in oil prices, sluggishness on overseas markets and higher interest rates at home kept a damper on the market, and the Nikkei average was battered by small-lot selling.

The Nikkei finished with a loss of 418.51 at 23,359.32. The day's high was 23,762.03, while the low was 23,218.50. There were 825 declines, outpacing advances of 139, while 92 issues were unchanged.

Turnover was a paltry 230m shares, down from Friday's 430m. The Topix index of all listed stocks took a plunge of 50.41 to 1,719.36 but, in London trading, the ISE/Nikkei 50 index shed only 2.32 to 1,299.59.

Investors had expected the market to be more lively yesterday. Securities houses, having just concluded important managers' meetings to determine strategy for the next term, were expected to step up activity and buying was anticipated from newly launched investment trust funds.

The selling pressure, however, proved too strong to overcome. "People are wondering how far it is going to fall," said Mr Shigeru Akiba at UBS Phillips & Drew.

While dealers were known to be desperate to prevent the Nikkei from dropping through 23,000, there were fears that the market did have further to fall. Neither interest rates nor the situation in the Gulf held much promise in the short term. In reaction to the rise in oil prices, bond prices yesterday registered new lows.

Nevertheless, some support was expected this week from institutions wanting to raise the value of their stock holdings, which will be determined by their market price at the end of the week.

Large-capital issues were hard hit. NTT lost Y31,000 to a low of Y801,000 in heavy selling. Bank shares were also under pressure. Apart from worries about whether the banks are able to meet international capital adequacy standards and about the vulnerability of their profits, shares have been hit by a move among corporations to sell their holdings in banks.

The only bright spots were issues with special incentives. Kobe Steel topped the actives with 45.2m shares and hardened Y1 to Y566 on rumours that it would announce a joint venture with Alcoa. Fukusuke, a maker of socks and underwear, rose to a new high of Y1,950 on talk that its second largest shareholder was trying to raise its stake in the company. It closed Y110 up at Y1,910 after active trading.

In Osaka, widespread selling took the OSE average down 499.61 to 27,161.98. Volume surged to 35m shares from Friday's 25m. Corporations have been reported to be actively conducting cross-trades in Osaka to realise profits.

Roundup

ALL PACIFIC Rim markets were lower yesterday, with the exception of Bombay.

MANILA fell to its lowest level since May 1987 as the national strike entered its second day. Prospects of soaring inflation and social unrest, and rumours of a currency devaluation, sparked heavy selling. The composite index plunged 38.60, or 6.4 per cent, to 567.11.

NEW ZEALAND partially recouped early losses but ended lower as the downturn on overseas markets dominated sentiment. The Barclays index fell 19.66 to a five-year closing low of 1,478.34, after touching 1,460.71. Turnover was boosted by a block sale of 14.7m shares in Wilson Neill, the brewing and retail concern, to 20.7m, up from 7.3m.

TAIWAN fell further in light trading to its lowest level in 2½ years on continued worries over higher energy costs. The weighted index lost 3.8 per cent, or 105.37, to 2,701.84. Turnover rose to NT$12.5bn.

AUSTRALIA declined for the ninth consecutive day to its lowest point since May 1988. The All Ordinaries index lost 1.3 per cent, or 18.8, to 1,393.8. Turnover rose to A$168m from A$140m. But oils and golds bucked the trend on higher bullion and crude prices.

International media group News Corp lost 26 cents more to A$8.74 on fears that its plan to restructure its share capital and issue non-voting stock would dilute earnings.

The Australian Stock Exchange announced that it would close its remaining trading floors in Melbourne, Sydney and Brisbane from the end of trading on Friday.

SINGAPORE finished weaker as foreign institutions sold holdings in Malaysian and Singaporean blue chips. The Straits Times Industrial index dropped 19.55 to 1,113.19. Volume was low at S$74.8m, but above Monday's S$56.8m.

KUALA LUMPUR fell for the seventh consecutive day, with the composite index losing 10.38 to 484.43. Turnover rose to 46m shares from 26m.

HONG KONG lost 1.9 per cent in continued light trading, but closed above its early low. The Hang Seng index gave up 54.27 to 2,807.50. Banks and property companies turned in the session's steepest losses.

BOMBAY reached a new high as encouraging corporate results triggered heavy buying, especially by state mutual funds. The BSE index shot up 77.08 to 1,466.11.

BANGKOK closed lower. The SET index fell 33.16 to a 14-month low of 613.95.

JAKARTA fell across the board, bringing the composite index down sharply to 477.38 from the officially revised 494.49, and turnover declined to 1.83m shares from 1.94m.

EUROPE

Frankfurt falls 4.4% to lowest point in 16 months

PROSPECTS for Continental bourses looked grim yesterday, as many fell again to new 1990 lows, *writes Our Markets Staff.*

FRANKFURT dropped another 4.4 per cent, the DAX index closing 62.65 lower at 1,353.40, through the 1,385.72 it hit after a 12.8 per cent plunge on the Black Monday of October 16, 1989, to its lowest point in sixteen months. The FAZ closed 23.75 lower at 583.33 in midsession. Volume rose to DM5.5bn from DM3.9bn.

"It's the rabbit in the headlights syndrome," said Mr Andrew Bell at BZW in London, seeking to illustrate how a market, with none of the foreign support which took it up this year, seems to be waiting for war to break out in the Middle East, or another resolution of the Gulf crisis which would lead to stability in the oil price, before it makes a positive decision on which way it wants to move.

Henkel, Lufthansa and Nixdorf had a particularly painful day, down DM54 to DM511, DM12 to DM101 and DM28.30 to 230.20 respectively; Continental continued to show that some speculative spirit exists with a further recovery of DM6.50 to DM272.50.

PARIS moved below the 1,500 support level on the CAC 40 index, which fell 17.13 or 1.1 per cent to 1,485.39, another year's low. Encouraging trade figures and Wall Street's steady opening helped to prevent the market falling further; trading remained light.

Pinault was the day's biggest faller, plunging FFr79.20 or 18.8 per cent to FFr342.80 after the previous day's news that the timber group plans to offer six of its shares for every five in CFAO, the trading and distribution company in which it already holds 33.1 per cent. CFAO rose FFr6.10 to FFr375.10; shares of both companies are suspended.

Lyonnaise des Eaux fell FFr20.70 to FFr442 and Dumez lost FFr25 to FFr583 after their shareholders approved their merger plans.

ATHENS fell sharply for the second successive day, with the general index off 88.0 at 1,150.30 for a two-day loss of 14.4 per cent. Mr Xenophon Niarchos, the stock exchange president, set a 10 per cent limit on share price declines to safeguard investors on both trading days.

The market was hit by last

TEHRAN's stock exchange has seen turnover surge in the last six months, according to Tehran Radio. Shares worth more than IR16.4bn ($240m) were traded, seven times the total in the same period last year, and the number of shares has risen 333 per cent to 3.5m. The market was revived last year after the Iran-Iraq war; 76 companies are registered at the exchange and 14 more have applied, said the radio.

week's decision not to stage the 1996 Olympics in Athens, said an analyst; investors had discounted a victory by the Greek city. The response to the Olympics decision had not been possible until this week, because industrial action closed the market last Wednesday and Thursday (the bourse is shut on Fridays).

Turnover has been low, with a bank strike creating a shortage of cash. Strikes are expected to shut the bourse today and tomorrow.

STOCKHOLM fell to a new low for the year in heavy selling triggered by higher oil prices and rising credit market yields. Turnover rose to SKr500m from SKr392m. The Affärsvärlden general index closed down 36 at 994.1. Ericsson continued to drop, with its free B shares losing SKr6 to SKr194. One of the few winners was Handelsbanken which rose SKr1 to SKr117 after reporting a better-than-expected operating profit for the first eight months of the year.

AMSTERDAM ended a volatile session mostly lower though short-covering, bargain-hunting and a firmer Wall Street opening lifted shares from their lows. The CBS tendency index lost 0.5 to 93.8.

The property company, Wereldhave, dropped FL 12 to Fl 150.00 and Innovest, the real estate fund, shed Fl 2.50 to Fl 100.00. Dealers expected that Rodamco, which said on Monday that it would not longer buy back its own shares at their net asset value, would slide when trading resumes today.

With the exception of the aluminium and steel company, Hoogovens, which firmed 20 cents to Fl 54.00, all blue chips closed easier. Royal Dutch slipped Fl 2.60 to Fl 139.60.

MILAN failed to react to better-than-expected provisional inflation figures for September, which came in at 6.3 per cent, below the forecast of 6.6 per cent. The Comit index fell 8.67 to 554.30, a new low for the year. Turnover remained very low at around L100bn, around one-third of the daily average enjoyed earlier this year.

Pirelli fell L58 to L1,651 before reporting first half attributable net profit of L121bn, up from L113bn. Benetton, the knitwear company, was L140 lower at L8,050 ahead of a rise in interim operating profits to L138.2bn, from L122.3bn a year earlier. Fiat, due to announce its first half results on Thursday, lost L133 to L6,088. The insurer Generali, whose one-for-ten scrip issue has been set for October 16, slid L540 to L35,100.

MADRID recovered slightly in the afternoon but still ended the day well down. The general share index closed 5.90 down at 210.41, a new low for the year.

ZURICH finished lower in moderate trading in spite of scattered buying throughout the session. The Crédit Suisse index fell 10.7 to 490.0.

HELSINKI closed lower in higher turnover. The Unitas all-share index fell 5.4 or 1.2 per cent to 427.1 in volume of FM22.3m after FM11.2m.

SOUTH AFRICA

GOLD shares closed sharply higher after a surge in world bullion prices. Demand was fair but little scrip was on offer. The all-gold index touched 1,600 before closing 68 higher at 1,582. The all-share index rose 23 to 2,759.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 24 1990								FRIDAY SEPTEMBER 21 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (79)	138.05	−0.5	108.61	118.68	111.79	110.32	−0.9	6.89	138.69	111.41	120.01	113.74	111.34	158.31	125.85	152.76
Austria (19)	181.06	−5.0	142.45	155.66	146.62	147.10	−5.6	1.86	190.69	153.19	165.02	156.39	155.91	285.63	181.06	160.14
Belgium (61)	129.19	−0.3	101.63	111.05	104.61	102.11	−1.4	5.67	129.59	104.11	112.14	106.28	103.54	160.02	129.19	142.38
Canada (119)	129.96	+0.2	102.24	111.72	105.23	108.27	+0.0	3.73	129.69	104.18	112.22	106.35	108.28	153.61	128.82	148.06
Denmark (33)	242.86	−0.6	191.06	208.78	196.65	197.11	−1.3	1.50	244.33	196.29	211.44	200.39	199.64	277.62	236.69	197.53
Finland (26)	106.51	+0.4	83.80	91.57	86.25	83.06	−0.4	3.30	106.10	85.23	91.82	87.02	83.42	152.29	106.10	128.72
France (122)	127.16	−0.9	100.04	109.31	102.96	103.97	−2.2	3.94	128.29	103.07	111.01	105.21	106.26	168.85	127.16	136.64
West Germany (92)	108.89	+0.5	85.66	93.62	88.17	88.17	−0.7	2.54	108.31	87.01	93.74	88.83	88.83	144.63	108.31	102.27
Hong Kong (48)	116.70	−2.4	91.81	100.32	94.50	116.29	−2.4	5.62	119.54	96.03	103.44	98.04	119.11	147.49	112.24	115.64
Ireland (17)	143.16	+0.8	112.63	123.06	115.93	117.28	−0.2	4.45	142.08	114.14	122.96	116.53	117.56	198.57	142.08	158.78
Italy (94)	82.73	+1.1	65.08	71.12	66.99	71.96	+0.1	3.31	81.82	65.73	70.80	67.10	71.86	109.26	81.82	94.74
Japan (454)	123.68	+0.7	97.30	106.33	100.16	106.33	+0.0	0.79	122.87	98.71	106.33	100.78	106.33	197.26	118.68	184.64
Malaysia (35)	198.58	−2.0	156.23	170.71	160.80	206.38	−2.1	2.95	202.57	162.74	175.29	166.13	210.80	250.89	195.23	203.22
Mexico (13)	506.35	+0.4	398.36	435.30	410.01	1604.39	−0.5	0.32	504.45	405.25	436.53	413.72	1611.87	581.41	324.53	316.41
Netherland (42)	132.36	−0.3	104.13	113.79	107.18	105.90	−1.7	5.38	132.71	106.61	114.84	108.84	107.72	149.03	130.43	130.77
New Zealand (17)	57.78	+0.9	45.46	49.67	46.79	49.33	−0.5	7.25	57.28	46.02	49.57	46.98	49.57	75.36	57.28	81.86
Norway (23)	258.70	−0.4	203.53	222.41	209.49	212.35	−1.1	1.49	259.65	208.59	224.69	212.95	214.71	276.79	202.34	188.29
Singapore (25)	155.57	−1.4	122.39	133.74	125.97	128.61	−1.6	3.30	157.84	126.81	136.59	129.45	128.64	209.24	155.57	165.77
South Africa (60)	164.10	+0.2	129.10	141.07	132.87	139.57	+0.8	4.15	163.80	131.59	141.75	134.34	138.51	251.39	163.80	158.04
Spain (42)	132.46	−1.7	104.21	113.88	107.26	98.19	−2.2	5.59	134.69	108.20	116.56	110.46	100.35	182.25	132.46	167.11
Sweden (34)	175.83	−3.1	138.33	151.16	142.38	149.34	−3.8	2.69	181.44	145.76	157.02	148.81	155.25	234.93	173.89	177.85
Switzerland (65)	88.38	−0.8	69.53	75.98	71.57	71.03	−2.6	2.99	89.06	71.55	77.08	73.05	72.97	109.77	88.38	91.47
United Kingdom (301)	149.45	+0.5	117.58	128.47	121.01	117.58	−1.6	5.92	148.77	119.52	128.73	122.00	119.52	176.18	139.67	166.11
USA (534)	122.75	−2.2	96.57	105.53	99.40	122.75	−2.2	4.01	125.52	100.84	108.62	102.95	125.52	148.95	122.75	139.97
Europe (971)	127.96	+0.0	100.67	110.01	103.62	102.15	−1.6	4.55	127.96	102.80	110.73	104.95	103.77	157.65	127.96	132.67
Nordic (116)	184.23	−1.6	144.94	158.38	149.18	146.89	−2.3	2.07	187.18	150.37	161.98	153.51	150.31	223.29	184.23	166.12
Pacific Basin (658)	123.83	+0.5	97.42	106.45	100.27	106.62	−0.1	1.22	123.19	98.96	106.61	101.03	106.74	192.75	119.53	180.82
Euro−Pacific (1629)	125.84	+0.3	99.00	108.17	101.89	105.44	−0.7	2.60	125.46	100.79	108.56	102.89	106.21	174.18	125.46	161.69
North America (653)	123.10	−2.1	96.84	105.84	99.69	121.84	−2.1	3.99	125.68	100.97	108.78	103.10	124.41	148.43	123.10	140.35
Europe Ex. UK (670)	114.21	−0.3	89.85	98.20	92.50	92.82	−1.5	3.59	114.57	92.04	99.16	93.96	94.25	145.62	114.21	117.62
Pacific Ex. Japan (204)	124.80	−1.1	98.18	107.30	101.06	107.00	−1.4	6.10	126.20	101.39	109.23	103.51	108.56	146.72	122.53	134.81
World Ex. US (1821)	126.58	+0.3	99.58	108.83	102.50	106.27	−0.7	2.65	126.20	101.38	109.22	103.51	106.99	173.77	126.20	161.28
World Ex. UK (2054)	121.80	−0.7	95.82	104.72	98.64	110.83	−1.2	2.78	122.65	98.53	106.14	100.60	112.13	162.00	121.80	152.28
World Ex. So. Af. (2295)	124.02	−0.6	97.57	106.62	100.43	111.29	−1.2	3.10	124.73	100.20	107.95	102.30	112.67	161.84	124.02	152.58
World Ex. Japan (1901)	125.79	−1.2	98.96	108.15	101.87	114.26	−1.6	4.29	127.30	102.26	110.17	104.42	116.36	151.69	125.79	137.61
The World Index (2355)	124.26	−0.6	97.76	106.83	100.62	111.48	−1.2	3.11	124.97	100.39	108.15	102.50	112.84	162.05	124.26	152.61

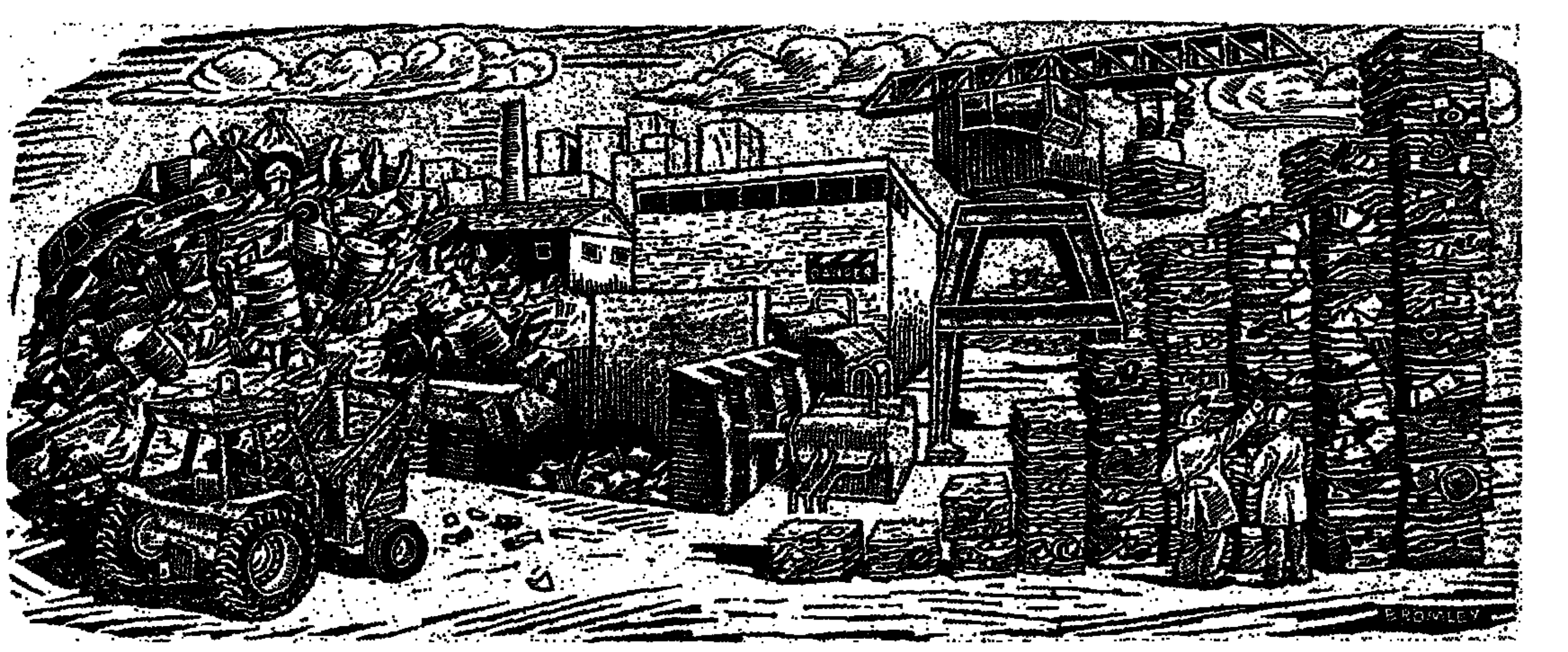
Constituent Change: Deletion: Capital Markets (New Zealand) (25/9). Latest prices were unavailable for this edition.

FINANCIAL TIMES SURVEY

WASTE MANAGEMENT

Wednesday September 26 1990

The increase in public concern over the state of the environment is provoking great changes in the waste management industry. The trend is towards stiffer regulations but this has resulted in higher costs for the consumer. John Hunt reports



Public doubts bring change

THE WASTE management industry is going through the greatest transformation in its history as a result of the large increase in public concern for the state of the environment.

Governments have been spurred to take action and the trend is towards stiffer national regulations for the control of all wastes. Internationally, governments have united to introduce tighter controls over the movement of toxic waste across frontiers.

The growth in the amount of waste being handled and the increasing sophistication of the techniques used means that waste management is very big business.

Costs have risen as a result of stricter regulations and higher public expectations coupled with the rising expense of landfill sites which have become increasingly scarce particularly in crowded south-east England. Some London waste has to be transported to Bedfordshire as the nearest point of disposal.

The result is that customers will have to pay more for waste disposal over coming years. These trends have led to consolidation in the industry with large companies absorbing smaller ones and international takeovers becoming more common.

Small cowboy outfits which have given the industry a bad reputation are likely to be driven out of business because they will be unable to afford the heavy capital cost of meeting higher standards and will not have the technical expertise.

Until the 1930s waste disposal was still primitive by today's standards. Household rubbish was burnt in a basic incinerator or dumped on an open tip. Industrial wastes were not as numerous or complex as they are now and were often dumped on a tip acquired by the owner of the factory where they originated.

Packaging of foods and consumer goods has increased the amount of paper and board disposed of and the widespread use of plastics which are difficult to destroy has added to the problems.

The Confederation of British Industry estimates that industry and commerce in the UK produce over 100m tons of waste a year and that it costs companies at least £3bn to dispose of it. It believes that disposal costs could rise to £7bn by the end of 1992 even with no rise in waste production.

Analysts at Citicorp Investment Bank say that the price for disposal of non-hazardous waste in UK landfill sites will rise by 15 per cent a year and that the total value of waste disposal business in England and Wales could increase by at least 10 per cent a year.

A similar picture exists throughout western Europe. Paribas, international stockbrokers, says that charges for disposing of industrial and domestic waste are likely to double in western Europe by the end of the century as a result of tougher environmental legislation.

In 1989 western Europe paid £16bn to dispose of solid waste – about 60 per cent industrial refuse and the remainder domestic. Paribas believes that this annual cost is likely to rise to £32bn by the end of the 1990s and that three quarters of this will go on industrial refuse.

The alternative to landfill is incineration and this is a costly method. About 10 new incinerators each costing £20m will be needed in the UK to dispose of sewage sludge that Britain will no longer be dumping in the North Sea after 1988 as a result of the agreement reached at the North Sea Conference earlier this year.

Yet there could be stiff opposition from local residents when planning permission is sought for incinerators – an example of the Nimby (Not in my backyard) syndrome. In Britain the Environmental Protection Bill, expected to become law next month, will radically change the framework within which waste disposal operates.

It will introduce a new duty of care which will mean higher standards and stiffer penalties for whose who do not dispose of waste in an authorised manner. It places responsibility on the producer of waste to see that it is accurately described and treated by a company authorised to handle it.

The bill means that responsibility for the correct disposal of waste will rest more widely along the entire chain – from the first producer to the final disposer. Each person in that chain will be subject to the duty of care and criminal liability is imposed on those who breach it. Local authorities are directly affected by the legislation. They will no longer have the dual role of poacher and gamekeeper by running their own disposal sites at the same time as policing the way those sites are operated.

They will be required to set up local waste disposal companies (LAWDCS) which will operate at arms length from the authority.

Alternatively they can privatise their waste disposal operations with contracts awarded by competitive tender.

This opens up a large new market for private waste disposal. It is estimated that the total market for compulsory competitive tendering is worth more than £2bn a year and that most of this is for cleaning and refuse collection.

The waste industry has been aware of the need to improve standards. Last year the National Association of Waste Disposal Contractors introduced its own code of conduct which enables it to impose fines on members in extreme cases of breach of discipline.

Dr Ted Thairs, head of the CBI's environment, health and safety group says there must be plans for the installation of clean technologies and long-term waste minimisation if British business is to meet environmental standards and still remain competitive.

Britain is producing twice as much waste as in 1965 and the Government believes that even with waste minimisation and recycling a large reduction in the amount could not be expected in the short term.

Mr David Trippier, Environment Ministers, points out that there are no easy options for dealing with waste "however much money you are prepared to pump into it."

On the international scene there have been protests at the dumping of the industrialised countries' toxic waste in the third world. The vessel Karin B carrying toxic waste which had been dumped in Nigeria from Italy was refused permission to unload it in Britain in 1988.

Last year, a Russian vessel carrying PCBs (polychlorinated biphenyls) from Canada was turned away from British ports. This incident posed an important question of principle as all the correct legal procedures had been complied with. The material was destined for the Rechem plant in Wales where it could have been safely disposed of through high temperature incineration.

International agreements control the movement of waste across frontiers and to prevent dumping in the third world. The Basle agreement of 100 nations stipulates that countries exporting waste should have the written assent of importing countries. The exporters have to ensure that the waste will be managed in an environmentally sound manner at its destination.

The EC Commission in Brussels has proposed a directive to introduce strict civil liability for damage from waste disposal as an extension of the "polluter pays" principle. The producer of the waste would be held liable for damage to individuals, property or the environment even if the damage was not the producer's fault.

An EC directive controlling the quality of landfill sites and stipulating waste unsuitable for landfill is expected. In addition it is working on new regulations to control the movement of waste across frontiers.

In Asia some of the most dynamic economies have the biggest problems with waste. Hong Kong, Taiwan and South Korea are between them estimated to be spending $5bn on waste disposal over the next five years.

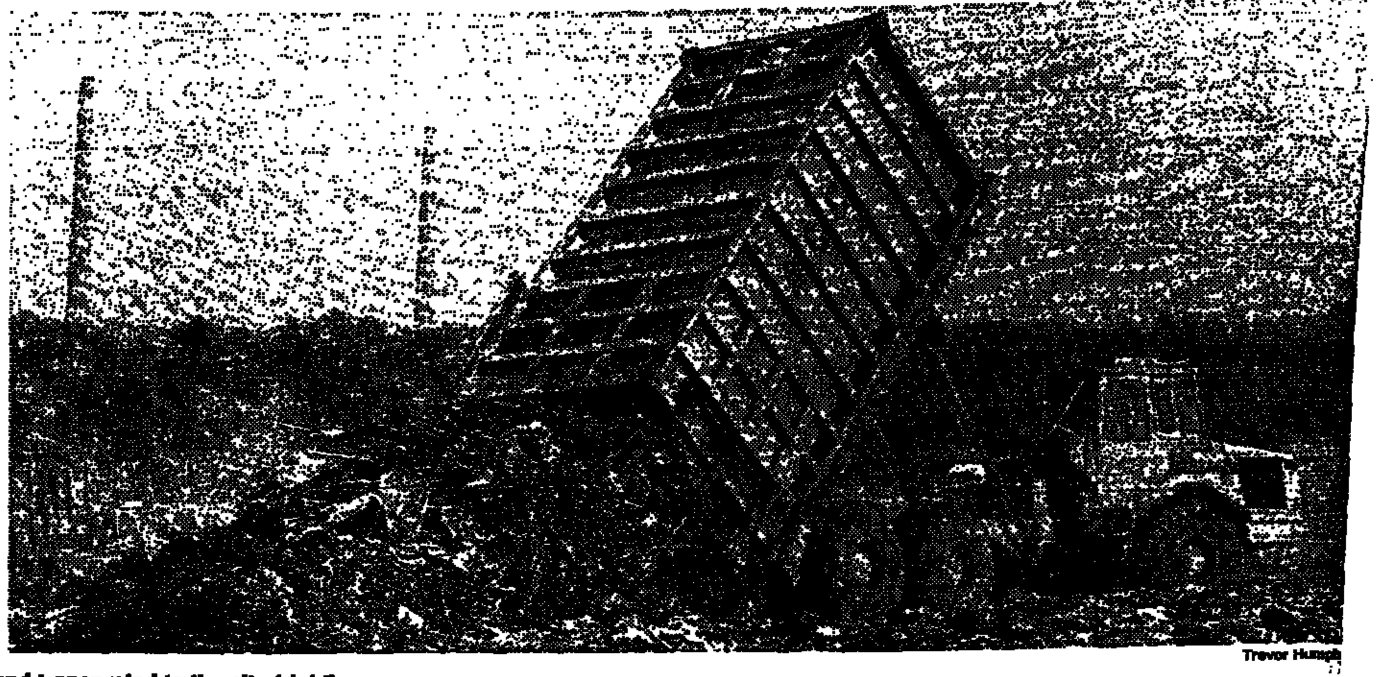
IN THIS SURVEY

Refuse collection in Wandsworth

Unwanted refrigerators being made safe

Editorial Production: Philip Halliday

WASTE MANAGEMENT 2

Efficient disposal: Shanks & McEwan landfill site at Calvert, Buckinghamshire where containers (left) are loaded from freight trains and transported to the site (right)

Trevor Humph

Waste disposal companies are much criticised. **John Hunt** looks at attempts to raise standards

Cowboy operators taint cleaner image

THE WASTE disposal industry has frequently been the target of criticism by environmental groups and politicians for the way it has conducted its operations.

Cowboy operators have given the industry a bad name through illegally fly-tipping building and other wastes on the nearest piece of land. In London it is estimated that 1m tonnes of waste was being dumped illegally every year up to 1989.

The danger of explosions from methane gas building up on waste sites and of contaminated materials leaking into the water supply from the sites have caused controversy.

There have also been complaints about old waste dumps abandoned with the ground still contaminated by toxic chemicals.

The House of Commons all-party Environment Committee has been scathing about poor standards in the disposal of toxic waste. It said: "We are concerned that waste disposers too often deploy the cheapest tolerable option rather than striving for the concept of the best practicable environmental option."

In fact, the industry has taken such criticism on board and has been making great strides in improving its performance. This has often been led by the big and growing waste disposal companies which have most to lose from a bad public image for the industry.

Tighter regulations and the threat of more to come – both domestically and from the European Community – have also acted as a catalyst. The Environmental Protection Bill, expected to become law this October, will enforce those disposing of waste to be more careful and should lead to further improvements.

The Control of Pollution (Amendment) Bill, sponsored by Ms Joan Ruddock, Labour MP for Deptford, became law last year and has introduced tighter regulations that should reduce fly-tipping.

The need to restore old waste sites to good environmental standards has been widely accepted by the industry. Old landfill sites are often restored as pleasant agricultural and grazing land and the area is enhanced by the planting of trees.

More sophisticated technical methods have led to improved control of methane gas and this is now often sold to industry or used to generate electricity.

The National Association of Waste Disposal Contractors (NAWDC) which represents many companies in the industry, has introduced annual landfill awards to show what can be achieved.

First winner for site operations was Cleanaway for its Buff Quarry site at St Helens, Merseyside, which takes 100 lorry loads of domestic, commercial and industrial waste daily. Filling is carried out in carefully controlled areas and methane gas is extracted and supplied to a nearby brickworks as fuel.

Shanks and McEwan, a large company with a turnover of £85m, has been selling landfill gas from decomposition of waste to industry since 1981. It has been generating electricity from landfill gas from a site in Bedfordshire since 1984. The company extracted 1.3m therms in 1988 and half of this was converted to electricity. A supply of 1m therms is enough to heat 3,000 average sized houses for a year.

NAWDC has introduced its own code of conduct for the industry under which members pledge the safe and effective collection, transportation, storage and disposal of wastes.

Transport has often been the source of pollution complaints as it is difficult for the disposer of the waste to control the activities of the company hired to move it. Under the code, all transport and disposal must be covered by a written agreement between the generator of the waste and the company disposing of it.

Members are asked to inform the association of any poor practices or actions which might be detrimental to the industry. Formal hearings may be held by the association's disciplinary committee and members censured, suspended, expelled or fined up to £7,500 for misconduct.

In London it is estimated that 1m tonnes of waste was being dumped illegally every year up to 1989

The key to safe handling of waste is proper training and familiarity with the regulations involved. This is being given higher priority and the Commons Environment Committee welcomed the industry's commitment to it.

NAWDC's training committee runs a programme of courses covering legislation, vehicle operations, health and safety and landfill gas control.

A practical waste management residential course of five days was introduced in 1976 to familiarise staff with modern methods and three visits to waste sites are included in this.

There are also foreign study tours so that members can see the best waste management practices.

There are one day courses on legislation such as the Control of Pollution Act 1974, the Health and Safety at Work Act and the new Environmental Protection Bill. With the industry so frequently in the public eye, a course on how to deal with the media has now been added.

Detailed environmental policies have been developed by some companies to make sure that the best practices have the full approval of the board. Monitoring is carried out to ensure that these standards are applied all the way down the line – particularly by the operatives who dispose of the waste.

Cleanaway's policy pledges the company to plan, conduct and monitor its operations according to the best practi ble means to protect the en ronment. Its activities w comply with or exceed regu tions or codes of practice an will adopt appropriate n technologies.

Shanks and McEwan h gone to the unusual lengths creating its own environmen advisory board consisti mostly of outside profession with expertise in toxicolo law politics and conservatio

The board will participate discussions of company pla that involve the environme It has independence to co ment on such matters and w publish its own annual repo

Outside consultants w appointed to help develop corporate environmental pol for Shanks and McEwan. T involves a system of weel examination of sites for t ness, safety, quality operations and engineering. site planning meeting is h every month and there a quarterly reviews. An indep dent waste management c sultant inspects each site ev six months.

Detailed procedures are la down for 30 areas includi landfill gas, materials th might leak into the soil, natu conservation and liaison wi local communities.

Such developments ma good business sense for t industry. It avoids damagi publicity and protects shar holders by avoiding the bea legal liability that could ari from pollution accidents.

An unglamorous industry? **David Thomas** finds plenty of investment activity

Small group of star performers

ANYONE WHO thinks of waste management as an inherently unglamorous industry ought to have a few words with an investment analyst.

Ask, for example, Dr Edmund Bradley of Citicorp, who in a recent voluminous study* of the UK waste management industry concluded: "The impressive stock market performance of the six quoted waste management companies over the past two years cannot fail to have gone unnoticed by holders and non-holders alike."

At least until the Gulf crisis knocked some of the froth off the sector, Britain's small group of quoted waste mangement companies (Attwoods, Caird, Leigh Interests, HT Hughes, Rechem Environmental Services, and Shanks and McEwan) has been one of the star performers on the London stock exchange.

A splurge of acquisitions of smaller privately held concerns has helped many companies in the sector to grow rapidly, while the larger UK companies are consolidating and expanding their operations overseas. The pace quickened last week when Leigh Interests the Midlands-based company, announced an agreed bid for HT Hughes and Severn Trent launched a hostile bid for Caird. Other examples include:

- Leigh Interests announced last November its acquisition of Clay Colliery, a coal and clay extraction company, for £17m. It wants to use the holes left by Clay's operations as potential landfill sites
- Attwoods – which has about 75 per cent of its business in the US – has increased its share of the US market by acquiring Mindis Industrial which reprocesses glass, metal, paper and plastic waste. It has strengthened its base in Florida, by buying waste disposal operations there from Laidlaw Transportation. Last year, it made its first move into mainland Europe by buying Omega, a West German company, for up to £15.4m.

Many of these acquisitions have been financed by the issuing of paper, which recently has been trading on sky-high multiples.

But the sector has been strong enough to make cash calls – as when Attwoods raised £82m earlier this year to eliminate its debt burden and to allow it to press ahead with international acquisitions.

Interest in the sector has been heightened by the continued growth of the waste management divisions of leading industrial companies. The main players on this front include Biffa, a subsidiary of BET; Cleanaway, a GKN-Brambles joint venture; Cory Waste, owned by OTT; and Waste Management, which is owned by NFC and is distinct from the US company of the same name.

As though that were not enough activity, many water companies have targetted waste management as a natural area for diversification. Northumbrian, Severn Trent, Southern, Thames, Welsh and Yorkshire have set up subsidiaries, while some industry observers predict that all the 10 water companies privatised last year might soon have entered the market.

Meanwhile, overseas companies, notably from North America and France, have been showing their interest in British waste management by setting up their own UK subsidiaries: these have begun to acquire some smaller operations or enter into joint ventures with the more established players.

Waste Management and Browning-Ferris Industries, the two leading US waste companies, owe more than a tenth of their turnover to their European activities.

The signs are that their presence in Europe will increase. Laidlaw Transportation, Canada's biggest waste group, also harbours ambitions to expand in European markets. From France, Saur has teamed up with Welsh Water and Southern Water to chase refuse contracts with British local authorities.

This burst of activity is not difficult to explain. Companies are being forced by the burgeoning environmental awareness among the general public to pay greater attention to their waste. Reflecting this mood, many Governments are passing tougher waste management laws.

In the UK, the Environmental Protection Bill, which is on the verge of becoming law (see separate article), will transform the statutory framework for waste management.

The likely increase in operational costs could herald a shake-out of the UK industry, which is at present highly fragmented, with over 4,000 companies active on some estimates.

Mr Frank Argent is director general of the National Association of Waste Disposal Contractors, whose 80-plus members account for about two-thirds of the industry's £1bn annual turnover. "The Environmental Protection Bill will tend to squeeze out the least able companies," he says.

The stock market fall following the Gulf crisis has introduced one uncertainty. The waste management companies had further to fall than many other quoted concerns.

"Highly rated companies are always vulnerable to market shake-outs," says Mr Robert Miller-Bakewell, analyst with County NatWest WoodMac.

Nervousness in the sector was compounded at the start of September when Caird's shares fell 45 per cent after the company announced results way below the City's expectations. The company appears to have suffered a bout of indigestion after gobbling up 50 acquisitions since 1987.

At County NatWest, Mr Miller-Bakewell accepts that the Gulf-induced market fall might lead to some pause for thought. "Yes, the fact that the paper of the quoted companies will now be worth somewhat less makes it more difficult for them to carry out acquisitions that are automatically earnings enhancing," he says.

He argues that the prices which companies are having to pay for acquisitions are al down on a year ago. "At t end of the day, the pressur on the small operators to g out are going to remain."

The UK Waste Manageme Industry, Citicorp, PO Box 2 Cottons Centre, Hays Lan London SE1 2QT, £500.

TECHNOLOGY IN THE OFFICE

The Financial Times proposes to publish this survey on:

5th October 1990

For a full editorial synopsis and advertisement details, please contact:

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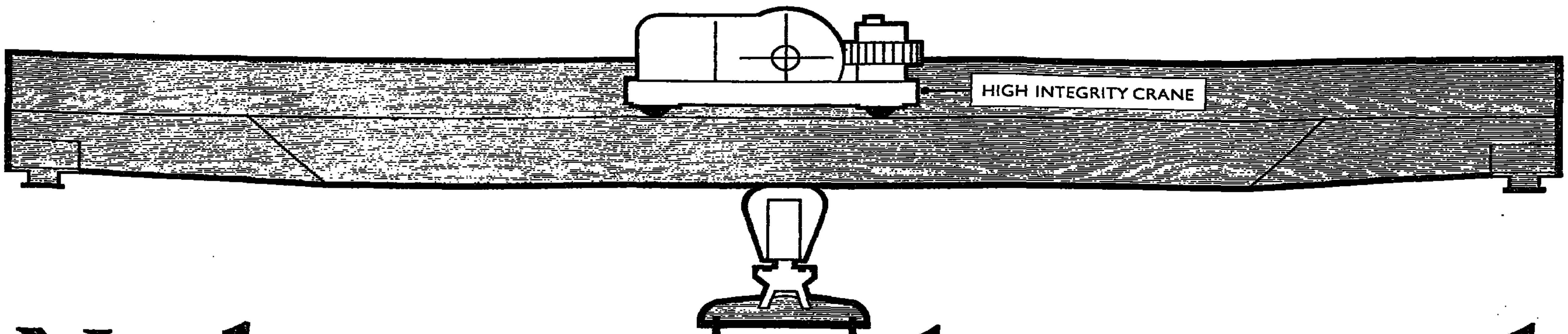
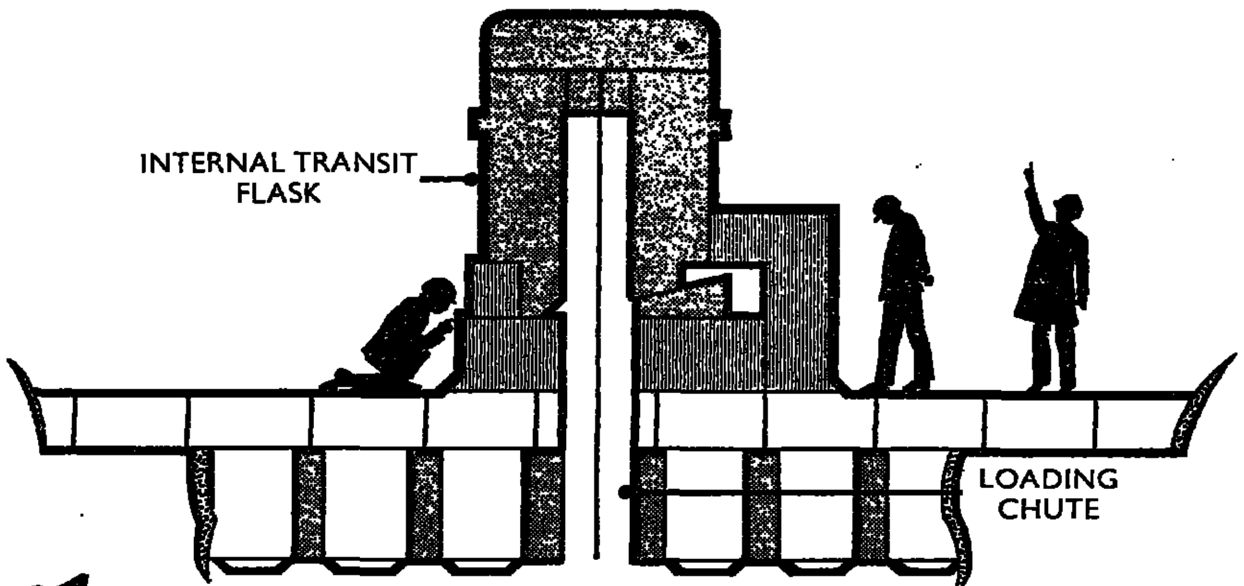
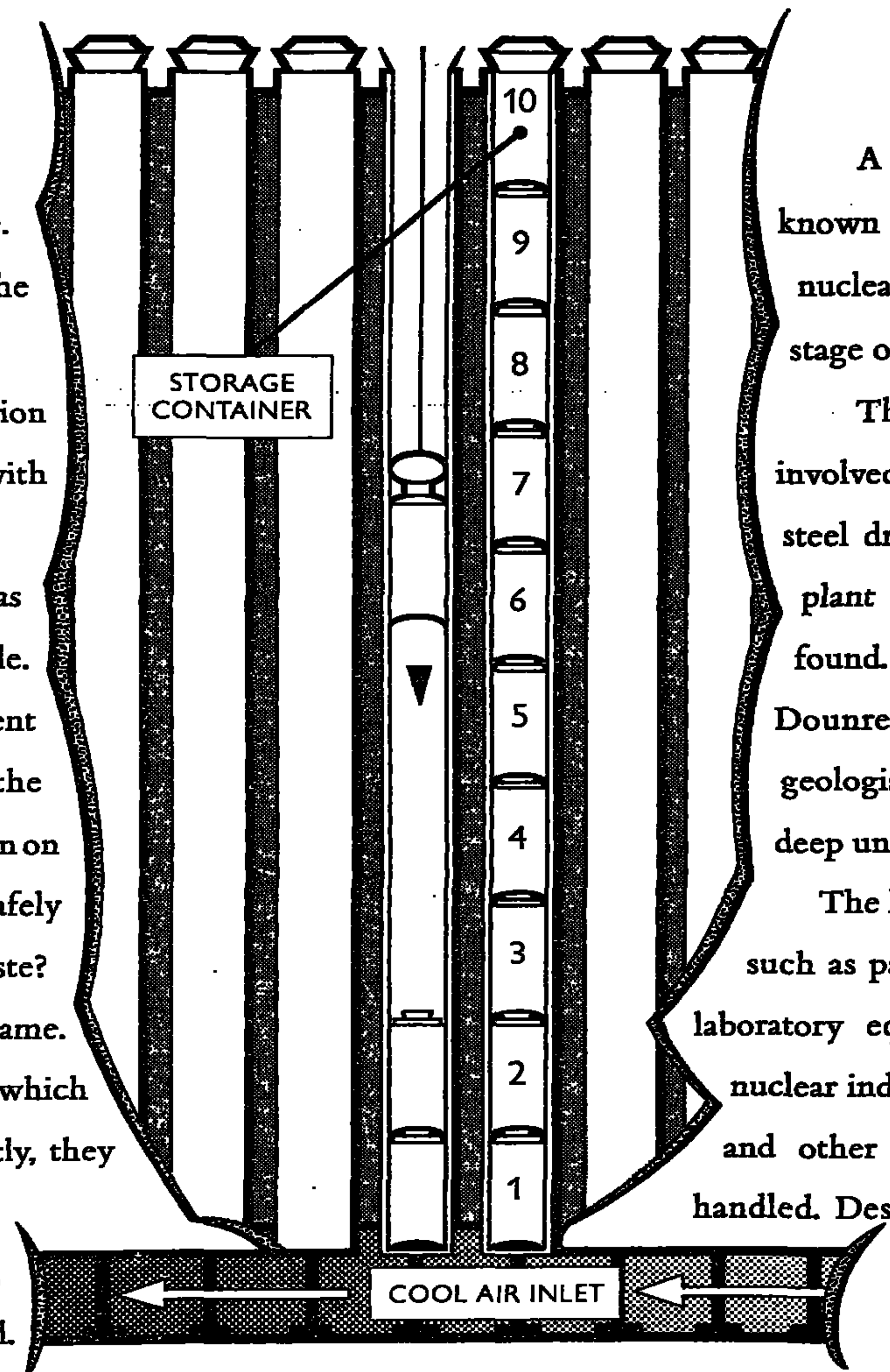


Nuclear waste can be contained.



The issue cannot.



Where do you stand on nuclear power?

Well, wherever it is, one thing is for sure. Nuclear waste cannot be ignored. And just like the issue, it's unlikely to go away.

For the fact is, even if nuclear energy production ceased tomorrow, we would still have to deal with waste that has been produced in the past.

In the last 30 years, British Nuclear Fuels has been concerned with the whole nuclear fuel cycle. From the manufacture of fuel to the management of waste. Few countries could challenge the experience we have. We are spending over £2 billion on a programme which allows us to continue dealing safely with nuclear waste. So what exactly is nuclear waste?

A major misconception is that it is all the same. Not true. In fact, it falls into three distinct types which emit varying intensities of radiation. Consequently, they are dealt with in completely different ways.

The most radioactive is *High Level Waste,* which results from reprocessing spent nuclear fuel. We can recycle at least 97% of spent fuel into new fuel. It is the remaining 3% waste that must be carefully dealt with.

At present, high level waste is stored as a liquid inside double-walled, cooled stainless steel tanks enclosed in thick concrete walls.

However, we have brought into operation a process called 'vitrification', in which liquid waste is converted into glass and sealed inside stainless steel containers to be kept safe for the indefinite future.

This method reduces the waste to ⅓ of its original volume. Or, to look at it another way, all the high level waste produced at Sellafield in the last 30 years could be contained in just 4 double-decker buses.

A far less radioactive type of nuclear waste, known as *Intermediate Level Waste,* occurs when the nuclear fuel rods are stripped in the first mechanical stage of reprocessing.

The scrap metal, sludge, and residues that are involved in this operation are sealed in cement inside steel drums, and stored in our special encapsulation plant until a suitable long-term home has been found. At the moment, sites at Sellafield and at Dounreay in Scotland are under scrutiny from geologists to see whether either is suitable for a deep underground repository.

The least radioactive waste of all is *Low Level Waste,* such as paper towels, gloves, protective clothing and laboratory equipment which not only come from the nuclear industry but from hospitals, research laboratories and other industries where radioactive materials are handled. Despite the fact that radiation from low level waste is negligible, we take no chances.

At Drigg in Cumbria, we have built and use a concrete vault the size of a dozen football pitches, and we are developing a method of compacting this type of waste, which will enable us to store it well into the 21st Century.

If you'd like to know more about the way we manage nuclear waste write to Information Services, Risley, Warrington WA3 6AS for our nuclear waste brochure, or our video. Better still why not come and visit us at the Sellafield Visitors Centre. Because, anything you want to know about waste management is contained within it.

BRITISH NUCLEAR FUELS

Managing waste at Sellafield.

WASTE MANAGEMENT 4

Richard Evans outlines the increasing environmental pressures on the water industry

Treatment improvements come at a price

THE ENVIRONMENTAL pressures facing the UK water industry are moving from the improvement of drinking water standards to what in European Community jargon is known as the "wastewater", or sewage treatment and disposal, side of the industry. The ultimate cost to the customer could be just as great.

The main pressure comes, as with improvements on the clean water side, from the European Commission, which announced earlier this year its proposals for a new wastewater draft directive aimed at improving sewage treatment and disposal throughout the community.

For the UK, the provisions that will have the greatest impact are phasing out the disposal of sewage sludge at sea, and higher standards of treatment for waste discharged in coastal waters.

This is straightforward enough, except for two factors – the high cost, and the fact that goalposts are liable to move as expectations increase and as methods of detecting pollution become more sophisticated.

To allow for this, the 10 privatised water companies in England and Wales, and the 29 former statutory water companies, have had written into their charging formulae the ability to charge extra for any additional capital spending requirements that are not yet known.

This means that water charges, set to rise by an average of 5 per cent above the level of inflation each year for the next 10 years, could increase by much more.

There have been a series of fierce battles in the past between the UK Government and the European Commission over the scale of the improvements demanded and the timetable for their implementation. This pressure is likely to escalate rather than subside under the crusading EC Environment Commissioner, Mr Carlo Ripa di Meana.

The 10 privatised companies, which provide sewage as well as clean water services, believe they will have to spend an extra £7bn to implement the EC wastewater proposals, in addition to the £12.2bn earmarked for improving sewage treatment systems over the next 10 years. This contrasts with only £4bn spent over the last decade.

In England and Wales, wastewater from about 83 per cent of the population is treated at inland sewage works, compared with only 45 per cent in

The Commission has been receptive to pressure from the environment lobby, and the indications are that its demands have some way to go

the Community as a whole. About 17 per cent is disposed of at sea, of which more than a quarter receives full marine treatment, being fine-screened prior to disposal through properly designed and located long sea outfalls.

Because of the high load treated at inland works, nearly 1m tons of sewage sludge has to be disposed of. About 53 per cent is used on agricultural land, 24.3 per cent is dumped at sea, 17.1 per cent is used for landfill, and 5.6 per cent is incinerated.

The decision of Mr Chris Patten, Environment Secretary, earlier this year to end the dumping of sewage at sea by 1998, and to phase out the discharge via pipeline of raw sewage into the sea "as soon as practicable," means that alternative methods of disposal will have to be found at considerable cost.

The Government and the water companies fought a spirited rearguard action against the draft directive on the grounds that many of its provisions were too costly and of uncertain value environmentally.

However, they finally felt obliged to acquiesce on political grounds, as Britain is the only country still dumping sewage sludge at sea.

The concessions were made to counter the country's often unfair image as the dirty man of Europe, and to put moral pressure on other EC countries which pollute the North Sea to a much greater extent.

The British argument has been that proper disposal by dumping or via carefully-sited long sea outfalls can be the ideal solution to a tricky problem. Wave action, sunlight and the salinity of the sea can readily absorb and sanitise the basic materials and the bacteria and viruses that flourish in them.

The alternative to disposal at sea is to make more use of other methods, but this presents problems.

The scope for a significant increase in landfill is limited


Patten: calls to end sewage dumping at sea by 1998

because of the acute shortage of suitable sites, use in agriculture is reaching saturation point and there are worries about chemical content in the sludge, and an increase in the use of incineration is not necessarily an improvement environmentally or on cost grounds.

The water companies are deeply sceptical about the phasing out of untreated discharge of sewage via properly designed long sea outfalls. The draft directive calls for at least primary treatment and in many situations secondary treatment, and both will require large construction schemes and the siting of works near coasts.

In some cases, apart from the cost, this will not be a big problem. South West Water, for example, where 30 per cent of sludge is dumped at sea, is developing a strategy to build 28 sludge centres throughout the region, and to set aside land for primary or secondary treatment at sea outfalls.

This is not so easy in other areas, such as North West Water, where there is not the land available for development near long sea outfalls. North West estimates that the wastewater directive will cost it a further £100m on top of the £200m it has committed to cleaning up bathing waters throughout the region over the next five years.

Other companies with long coastlines and which utilise sea disposal methods, include Welsh Water, Yorkshire and Southern. Thames Water, the largest company, although it has few designated bathing beaches, disposes of all the sludge produced at Beckton in East London, the largest sewage plant in the world, via dumping in the North Sea, and new disposal methods will have to be found at some cost.

The primary or secondary treatment of sewage before it enters the sea outfall pipe is likely to benefit many of Britain's 400 designated beaches, 76 per cent of which currently comply with EC regulations.

The difficulty for the companies – and ultimately for the consumer – is that matters are unlikely to stop there.

The Commission has shown itself to be receptive to pressure from the highly effective environment lobby, and all the indications are that its demands still have some way to go.

Karen Zagor reviews the growing list of regulations in the US

Waste disposal is a business issue


McDonald's has cut back on waste by using lighter straws and thinner polystyrene in its packaging and placing a larger emphasis on recycling

JUDGING by the fanfare surrounding Earth Day 1990 and the amount of space devoted to the environment in the US media, the greening of America is under way.

But, in spite of the environment's topicality, the enormous amount of rubbish and toxic chemicals produced in the US shows no sign of dwindling, and the nation seems no nearer to solving its waste disposal problems.

On the federal level, measures to regulate waste disposal have taken a back seat this year to the more immediate tasks of passing legislation to cope with oil spills and the quality of the air.

However, enforcement of existing legislation is being taken more seriously by the Bush administration than under Mr Ronald Reagan, and big business is paying attention. Criminal prosecutions for violations have risen sharply – indictments and convictions for violating federal laws nearly doubled in 1989 and the amount of criminal fines levied last year jumped about 80 per cent to $13m, albeit a meagre amount of money in corporate terms.

Cleaning-up waste is seen as an increasingly important business issue. The environment was ranked as the biggest challenge facing business at this year's World Economic Forum. It is estimated that the cost of cleaning up past pollution is $150bn.

As a result, a growing number of companies are taking their own waste-control initiatives in the hope of pre-empting the possibility of more stringent regulations.

Navistar, for example, will spend $11m to install above-ground storage units at two plants to avoid possible leaks from underground storage tanks. Union Carbide saved about $8.5m in disposal costs and made $3.5m in income in the first half of last year by recycling, reclaiming and selling 82m lbs of waste.

Kodak plans to recycle its disposable cameras, among other measures. Procter & Gamble has stopped using inks which have heavy metals. The company has started redesigning its packaging to be less wasteful. Crisco oil bottles now use 28 per cent less plastic, and the company plans to use recycled milk, water and soft-drink bottles in some of its packaging.

McDonald's has cut back on waste by using lighter straws and thinner polystyrene in its packaging and placing a larger emphasis on recycling. However, the company is still one of the biggest waste-producers in the US.

While any measures by companies to reduce their waste are generally applauded they are seen by some environmentalists as being little more than a public relations exercise.

Part of the problem is that there is still no single solution to the waste crisis and most of the existing methods of disposal have inherent risks. "There are only three places to put waste," said Mr Peter Block, a spokesman for Browning Ferris, the second biggest US waste disposal company. "We can burn, landfill or recycle. We can also reduce the amount of waste we produce."

The difficulty of complying with the ever-changing regulations governing hazardous waste disposal pushed Browning Ferris out of that business in April. "We had been losing money on hazardous waste for about 1½ years," said Mr Block.

According to Mr Block, about 96 per cent of hazardous waste is handled on site by the producing companies with 4 per cent handled by commercial companies.

"Various industries are going to find it difficult to operate because of the pressure to ban *land disposal*," said Mr Block. "We came out of the old school of land disposal, because that's what had been done."

The company's landfill at Last Chance, Colorado, is the only new landfill constructed in the US since 1976. Browning Ferris plans to sell it as part of its hazardous waste assets which are on the block.

It is expected that 70 per cent of the nation's landfills will be full within 15 years, so Du Pont and Waste Management have a joint venture which will recycle 80m lbs of plastic this year and 200m lbs by 1994.

Chemical Waste Management, a subsidiary of Waste Management and the biggest US commercial disposer of hazardous waste, has been making large profits from the business in spite of the difficult operating environment. Last year the company had revenues of $892m, compared with $4.5bn for Waste Management as a whole.

"We have staff in charge of environmental compliance in order to stay on top of regulations," the company said. "We also have a Washington DC office which is in close contact with the Environmental Protection Agency and Capitol Hill on evolving legislation."

"We take an active role in commenting as legislation is being drafted so that when regulations are close we are ready. It is very challenging and difficult to maintain compliance."

The company holds regular seminars for its customers to help them keep abreast of the latest legislative developments. The company's approach to waste management takes a variety of forms, including incineration, recycling, chemical treatment, landfills and deep wells.

In terms of domestic waste disposal the World Trade Center, New York's tallest building, has just started a recycling programme that will recover 22.5 tonnes of paper a day. And the American Paper Institute expects about 40 per cent of all paper produced in 1995 will be recycled, compared with 20 per cent in 1988.

In an effort to compensate for dwindling landfill space, New York city now has a mandatory recycling programme, where a growing number of households separate newspapers, metal and glass.

The programmer's goal is to recycle at least 25 per cent of the city's rubbish by April 1994. The first target – to recycle 700 tonnes of rubbish a day – has been met. However, the programme may run into trouble as it tries to expand beyond the city's more affluent neighbourhoods into areas where growing problems with crime and drugs seem more pressing than coping with the rubbish on the streets.

EC INITIATIVES

Search for solutions

THE PROBLEM of how to deal with waste – above all dangerous wastes – has become a priority of the European Community's environment policy.

Against a background of worsening oil and energy crises in the mid-1970s the emphasis in Brussels tended to be on preserving and recycling precious raw material supplies.

While the idea of waste as a valuable secondary resource remains important for the EC, the threat it poses as pollution is considered an equally pressing concern.

Solutions are urgently needed in view of the approaching single European market. Only West Germany ships ordinary domestic waste across frontiers for disposal – into France and the German Democratic Republic – but cross border trade in the hazardous variety is more significant as a proportion of total production, and is likely to become more so.

The EC is therefore anxious to banish the spectre of large quantities of waste moving freely across frontiers in search of the cheapest and least regulated outlets.

EC directives require member states to designate competent authorities with the task of managing the disposal of the more than 2bn tonnes of rubbish which the Community generates each year. (Of this more than 30m tonnes is dangerous, and about 80 per cent can be re-used in one way or another). Where treatment plants are concerned EC rules set the minimum conditions for the functioning of municipal waste incinerators.

The Commission's Waste Disposal strategy document – SEC (89) 934 final – which sets out Brussels broad thinking – was adopted by the member states this year and was followed up with agreement in June on the waste framework directive setting out among a clearer definition of waste.

One of the more controversial issues is the Commission's attachment to the "proximity" principle – the idea that as far as possible waste should be disposed of in the nearest suitable centre regardless of national frontiers. While sympathising with the needs of smaller countries ill equipped to deal with some demands, some larger member states, notably the UK, continue to insist that those national authorities who commission and build disposal plants should aim at national self sufficiency. This compromise was reflected in the June decision.

Among the most keenly watched developments is the draft Commission directive concerning civil liability for damage caused by waste. The guts of this complex proposal is that *the producer* of waste should be liable until such time as the waste has been given to an authorised or licensed disposer. Criticism of the directive – which is still being considered by the European Parliament and has not yet reached the Council of Ministers – has been directed from different sides.

Biggest exporters of waste to UK

The European Federation of Waste Management (FEAD) – which groups together private sector companies handling the collection, transfer, transport and processing of waste in EC countries – claims it "introduces concepts which are either new or imprecise, confuses concepts of public and private law, arbitrarily shifts the burden of producing evidence, and runs counter to agreements presented by the United Nations and the Council of Europe."

FEAD maintains that producers and transporters could be held responsible for damage or "injury to the environment" which is not of their making, and that there is a real risk of distortion between public and private operators because of current definitions.

The European Parliament, meanwhile, in the form of a report from its legal affairs committee, has been trying to extend the scope of the civil liability proposal to cover nuclear waste (expressly excluded at the moment). There is also pressure to have compulsory insurance against liability and to establish the right of pressure groups to bring class actions.

The Commission insists that it will not accept any of the Parliament's main amendments but some small changes may be made in negotiations between the two institutions this month.

Mr Leonard Hawkes, a Brussels-based lawyer with S.J. Berwin, believes that the UK Government will have particular difficulties swallowing the proposal as it stands. He makes the point that the UK's Environment Bill going through the House of Lords, imposes a "duty of care" not only on those who produce waste but on those who handle it at each stage of the disposal chain. "The EC proposal comes from a totally different starting point," he observes.

There is little indication that the Italian presidency of the EC is anxious to get to grips with these complex issues so the real debate will probably be put off to next year. Coming up sooner for final decision is the landfill directive, which will prohibit the dumping of liquid waste in landfill sites and require operators effectively to surround sites with what amounts to a plastic bag.

On individual products EC member states agreed outline measures in June designed to make batteries safer and establish rules for their safe disposal. Starting from 1993 all batteries will have to be marked with disposal instructions and any recycling details, while a maximum mercury content for long-life batteries was established (0.025 per cent by weight) which will also take effect by 1998.

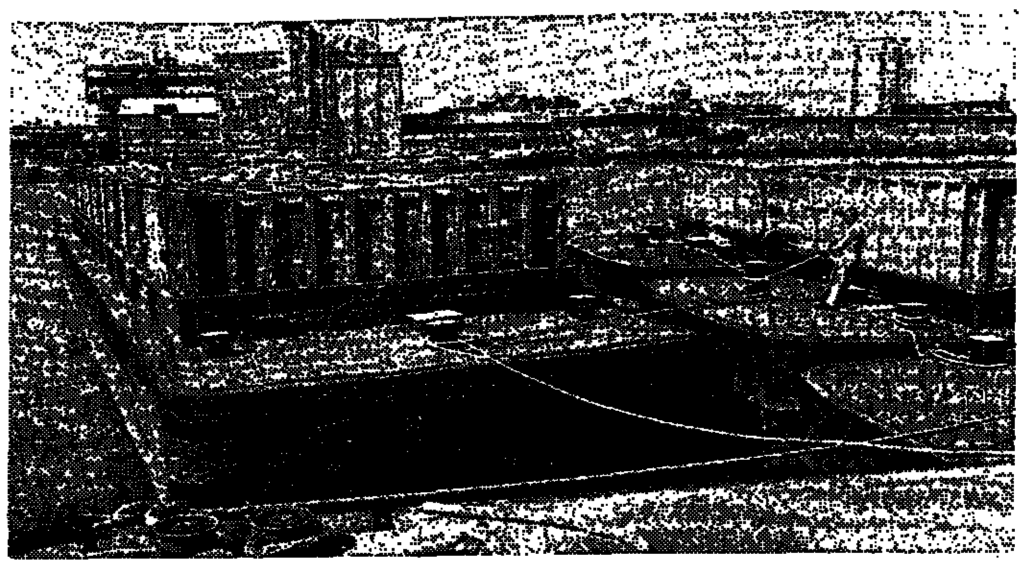
The Commission is drawing up proposed new rules for plastics, used tyres, halogenated hydrocarbons, and (possibly) beverage containers.

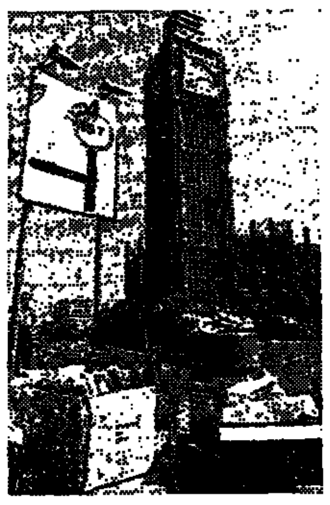
Brussels' plans for translating the Basle Convention for keeping track of cross border movements of hazardous waste are eagerly awaited.

Tim Dickson,
Brussels

ENVIRONMENT PROTECTION BILL

Tougher measures for illegal disposal





Barges (above) with containerised household waste loading in Wandsworth, London for transportation to land fill sites.
The Environment Bill requires local authorities to create disposal companies to compete with the private sector — a move that has beeen welcomed by private companies — but can regulation help to prevent large build ups of litter?

A new chapter in the often controversial history of the UK waste management industry will be opened later this year, once the Environmental Protection Bill completes its tortuous passage through Parliament and finds its way on to the statute book.

Two quite novel set of measures relating to waste management are contained in the bill. First, it imposes on producers and importers of waste a new "duty of care." Heavy fines can be levied on anyone illegally disposing or treating waste; releasing waste way to the environment; or passing waste to anyone not authorised to handle it.

Until now, controls have concentrated on the disposal of waste, according to Mr Frank Argent, director general of the National Association of Waste Disposal Contractors (NAWDC). "From now on, we're going to have controls from the time it's produced until it's disposed of. The controls won't even end there. They will continue after the waste is in the ground," Mr Argent adds.

The new law's second main departure will be to force a separation between local authorities' waste regulatory activities and their waste disposal businesses. Councils will be obliged to create arms' length waste disposal companies which will have to compete for contracts with the private sector — much on the model of competitive tendering in other areas of local government activity.

This reform of local government's waste management is welcomed by the private sector industry, represented by NAWDC. "If someone is regulating a business, he shouldn't be in the business himself. Who regulates his business?" says Mr Argent.

Mr Argent believes that the new requirement on local authorities to price their waste disposal business on a commercial basis will force a restructuring of their activities, which NAWDC reckons are worth about £30m a year in turnover.

Some local authorities will drop out of waste disposal altogether, handing over either to other councils or to the private sector, Mr Argent says.

The established companies represented by the association are equally in favour of the "duty of care" provisions in the bill. That is because tougher regulations — echoed in similar measures throughout Europe — are expected to have two main consequences.

First, they will encourage increasing numbers of waste producers to call in specialist waste management companies, thereby helping to generate extra business for the industry.

Second, tougher law will also increase costs in the industry by setting ever higher standards. Developmental pressures which are reducing the availability of waste dump sites reinforce these cost pressures: Browning Ferris Industries, the US-based company which is increasing its presence in Europe, recently had to pay about £40m for a site near Birmingham.

The combined result offers the best of all possible worlds to the larger, established players. Escalating costs will act as an barrier to newcomers and an incentive to quit for the smaller, weaker companies already in the sector. At the same time, the amount of business available for the dwindling number of companies in the sector will rise sharply. Mr David Owen, a London-based analyst at Paribas, recently estimated that the cost of disposing of solid waste in Western Europe will double to £32bn by the end of the 1990s.

Small wonder that most industry observers are predicting a large industry shakeout in the highly fragmented UK industry. It is likely to be accompanied by a wave of acquisitions, similar to those that swept through the US industry in the 1970s when standards were raised there.

This is not to say that industry is wholly euphoric about the contents of the Environmental Protection Bill. The chemicals industry has raised doubts about whether the bill provides the right framework for dealing with the specialist waste produced by its operations.

Mr Clive Thompson, vice-president of the European chemicals business of Arco, the US oil company, recently questioned whether the local authorities have sufficient expertise to handle their waste regulatory and pollution control functions. "Local authorities are going to have to become an awfully lot more responsive with regard to environmental matters," said Mr Thompson, speaking as chairman of an environment task force established by the Chemical Industries Association.

The association called for one central pollution body in its submission to the Government in advance of the environment white paper. This body would take over the functions not just of the local authorities, but also of the Pollution Inspectorate and the National Rivers Authority.

The chemicals industry has gone further to the adoption by the Government of a national waste management policy which would include:

- recognition of the need for more waste incinerators
- easing of the difficulties and delays in obtaining planning permission for new waste management facilities
- and a coherent policy on waste imports and exports.

The waste management industry shares some of these concerns. NAWDC doubts whether every local authority will be able to handle the burdens of regulating the increasingly complex waste industry. "Some little district council in south Wales won't have the expertise," says Mr Argent.

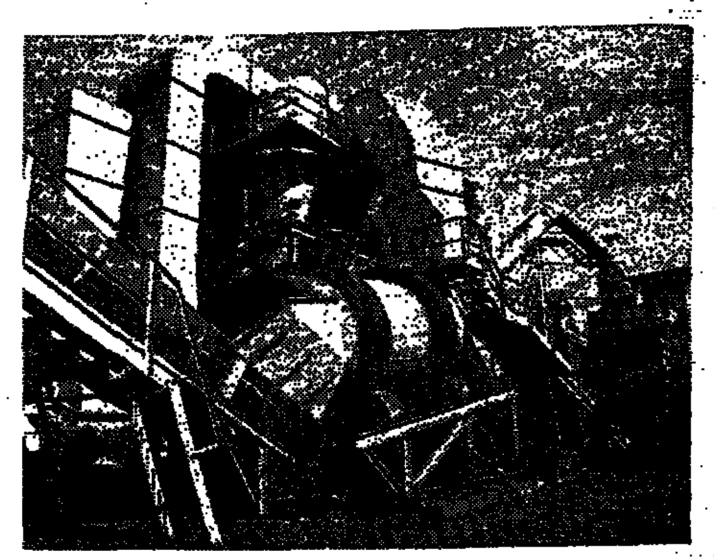
Indeed, NAWDC has similar concerns about the Department of the Environment. Mr Argent points out that five sets of separate regulations will be needed to bring the waste management regime of the Environmental Protection Bill into effect and says: "Our biggest worry is that there aren't enough experts in the Department of the Environment to draw up the regulations. We wonder when the Bill is actually going to be implemented."

Moreover, the waste management industry wants the Government to announce further measures still in its long-awaited environment white paper. Encouragement — possibly through tax incentives similar to those given to unleaded petrol — for recycled products and for the generation of energy from waste are high up the industry's list of priorities.

David Thomas

RECYCLING

UK lags behind its European partners



Mayer Leeman car shredder at Tilbury

THAT WEEKLY trip to the bottle or can bank may make us feel green and self righteous but British recycling efforts are only scratching the surface of the waste tip. Compared to continental Europe we throw much more of our rubbish into holes in the ground and until recently have been doing it far more cheaply.

As cities such as London begin to run out of infill sites and as measures in the Environment Protection bill, due to become law this year, begin to tighten standards, the days of cheap disposal are coming to an end.

Coupled with growing concern for the environment, higher costs are giving a long overdue lift to interest in the business of recycling our waste. Nevertheless, it will be a long haul to reach the goal set by Mr Chris Patten, the Environment Secretary, that half domestic recyclable waste should be recycled by the turn of the century.

At the moment, the UK throws 90 per cent of its waste into infill sites. This compares to 20 per cent in Switzerland, 30 per cent in Japan and Denmark and the worst continental European record of 65 per cent in West Germany.

A Community directive on drinks packaging is under discussion

The crucial step before the UK starts to approach continental levels of recycling is not, however, that of persuading the public to co-operate.

In 1989 the public's response to calls for old newspapers was so great that the market price collapsed and merchants are still sitting on large stockpiles.

The real challenge is to ensure there is a market for recycled products so that manufacturers will want the refuse so assiduosly separated by the public. While the new environment bill includes measures to encourage recycling the Government has taken few steps to increase demand for recycled goods.

With the exception of aluminium drinks cans, where there has been a sharp increase in recycling in the last two years, the slow recycling rates of other household refuse such as glass, paper and packaging materials makes Mr Patten's goal look rather distant.

Although the rate of glass recycling has risen to about 20 per cent, excluding milk bottles, according to British Glass, the federation of glass-makers, some experts suspect any higher level of recovery could stretch the manufacturers ability to handle the recycled material.

In the case of low grade waste paper, the price tumbled to £5 a tonne in spite of the industry using a record 2.5m tonnes in 1989. The story is not the same all across the board. Demand remains much firmer for waste writing paper, which now fetches around £40 a tonne, while waste computer paper can command double that.

However, recyclers and collectors remain wary. "In 1979 recyclers said there was not enough volume to justify investment; and collectors of paper were saying there were not enough end users to justify their efforts," says Mr Geoffrey Levy, the vice chairman of the European Recovery and Recycling Association set up by 20 mostly multinational consumer companies.

The clear recycling success story is the aluminium drinks can. British Alcan's remelt facility in Warrington, the only one in the UK to produce drinks can sheet, handled 200 tonnes of used beverage cans (UBCs) in 1989 but by August this year has handled 700 tonnes following the national launch of a collection campaign by the Aluminium Can Recycling Association.

At about 10 per cent, the UK's aluminium can recycling rate is significantly below the European average of 16 per cent and far short of the 61 per cent level achieved in the US.

The Aluminium Company of America's decision to build its own remelt plant in Swansea supports the case that the economics of aluminium can recycling works.

Smelting used cans saves 95 per cent of the energy needed to make aluminium from the raw material bauxite, where no such obvious economic incentives exist for recycling most other products.

Undoubtedly, the most important new factor in the recycling industry will be the Environmental Protection Law. By raising standards at the diminishing numbers of viable infill sites the law will raise the economic value of waste by raising the cost of its disposal. Where infill sites cost about £3 a tonne four years ago it can now cost £15 and that is before transportation costs from cities such as London.

The new law will introduce a system of incentives for local authorities to encourage rubbish not to get into the waste stream in the first place. County councils, which have responsibility for disposal, will pay a rebate on their charge to local authorities if the latter successfully set up recycling schemes that cut the flow of rubbish into the waste stream.

Companies such as Procter and Gamble and Dow Chemical have set up pilot schemes to try to isolate plastics and collect it for recycling before it reaches the waste stream. And the City of Sheffield has set up a pilot recycling scheme with independent collection of different refuse.

It is early days but none of these schemes appear to be making commercial sense yet.

Demand for recycled goods may be proving elusive. But there are those who look back to before county councils took over responsibility for waste disposal in 1974 and hope incineration might have make a comeback coupled with production of energy from waste.

In Denmark, it is not uncommon for houses to be heated from the energy produced from waste incineration, a technique Biffa, the UK waste management group, has just introduced on a small scale in Stafford.

Mr Mark Aldridge, Biffa's managing director, estimates a break even point from this form of recycling at £30 a tonne.

This is still substantially above disposal costs but neither significantly more than what some West Germans pay for disposal nor what costs could rise to in the UK as infill becomes more scarce.

Where there is concern among some UK consumer industries, in particular the packaging industry which produces 30 per cent of all domestic rubbish, is that continental legislation might cross over the Channel.

Higher costs are giving a lift to interest in recycling waste

In West Germany, for example, a company must sell a legally mandated amount of its soft drinks in returnable bottles and plastic bottle banks must be provided.

Restrictions are tighter in Denmark and are also being introduced in Italy.

So far, Westminster has not taken this route. But it was fear of such legislation that lay behind the launch of ERRA and there is a general awareness that a European Community directive on drinks packaging is under discussion.

Packagers are particularly concerned by West German developments, where in a quest to cut the amount of rubbish produced, a decree allows shoppers to remove any excess packaging and leave it in the shop.

As Mr Patten told a meeting of packagers earlier this year, it has led to some interesting conversations between shopkeepers and their suppliers.

Richard Gourlay

Discarded tyres may provide energy. **Clive Cookson** reports

Old rubber gets power drive

The prospects for re-using the tens of millions of old tyres which are discarded every year in the UK and other western countries have improved over the last few months.

In Britain, several companies have put forward proposals for recyling waste tyres to produce fuel and other materials and/or for burning them in tyre-fired power stations. Within a few years we may no longer be looking at tyre dumps as an environmental menace but as a valuable source of energy and chemicals. A single tyre contains the equivalent of two gallons of oil — enough to heat a medium-sized house for a day.

A large fire early this year at a used tyre storage depot near the farming town of Hagersville in Ontario, Canada, drew attention to the pollution hazards of tyre fires started accidentally or by arsonists. The fire burned for two weeks and consumed 12m tyres. Thanks to favourable geology and the firefighters' valiant efforts, an environmental catastrophe was prevented. Even so, the dense black smoke, laden with toxic fumes, forced the evacuation of hundreds of local residents and the ground has been contaminated with organic chemicals.

Britain has had several unpleasant tyre fires, though none has been as dramatic as the Hagersville conflagration. A dump of 10m tyres in a ravine near to Knighton in central Wales caught fire a year ago and, although the fire brigade extinguished the fierce fames, tyres may still be smouldering deep within the tip — polluting the stream that runs down the gully.

Landfill operators are increasingly reluctant to accept used tyres. Quite apart from the risk of fire, tyres are not biodegradable, they do not settle easily on a dump, they take up a great deal of space and the holes between them are a perfect breeding ground for rats and mosquitoes.

Demand for whole used tyres — for example to hold down the plastic sheets covering silage clamps on British farms or to form an artificial reef for fish to breed off the Australian coast — is tiny compared to the number of tyres discarded by the world's motorists.

Landfill operators have been reluctant to take tyres

Worn tyres that are in good condition can be given a new surface and used again as retreads. But retreading has been in decline for several years. It has become less economic in the face of the falling price (in real terms) of new tyres and the need for more sophisticated and expensive equipment to retread steel-belted radial tyres.

Another use for old tyres is to shred and grind up the rubber and then incorporate it into products such as floor mats, crash barriers and ice hockey pucks. But proportion of tyres recycled in this way has remained between 4 per cent and 7 per cent for the past decade.

A more substantial outlet could be to use ground vulcanised rubber as an additive to asphalt. Tests are under way on sections of road in New York state. Experts estimate that about 10,000 tyres, ground into crumbs the size of sand grains, would be required for each kilometre of road.

Fibrescreed, a small British company based in Uckfield, Sussex, has developed a similar system for replacing some of the aggregate used for resurfacing roads with granulated tyres. The main runways at Heathrow and Gatwick airports were recently repaired with this material.

Air Products and Chemicals of Allentown, Pennsylvania, is pursuing a technically more sophisticated approach to tyre recycling. Its researchers are developing a new chemical technology for combining tyre rubber with other polymers.

The tyres are ground to a fine powder and then treated with a mixture of reactive gases such as fluorine. The gases modify the surface of the rubber, so that it bonds firmly with a second polymer. The resulting composite material is much stronger than a simple mixture of polymers.

The Air Products research is focusing first on rubber-polyurethane composites. By varying the ingredients, "an extremely broad range of physical properties can be engineered into polyurethanes," says Mr Bernard Bauman, the company's composite products manager. The target markets for these materials include shoe soles, carpet underlay, conveyor belts, car door and window seals, adhesives and sealants, flexible foam and even waterproof liners for garden ponds.

But a lot of work still has to be done to establish the commercial viability of the process. If it is viable, plants with processing capacities of 1m tyres per year and costing about $5m each would be established near large metropolitan centres. Air Products estimates that up to 50m tyres a year in the US could eventually be recycled through its surface-modification technology.

Many experts, however, believe the best use for old tyres is to release their energy by controlled burning. The world's largest tyre-fired power station has been running for two years next to the world's biggest used-tyre dump near Modesto, California. The plant burns 4.5m tyres a year and generates 15MW of electricity, enough to meet the needs of 14,000 homes. And useful steel, zinc and gypsum are extracted from the ash.

Oxford Energy, the plant's owner, is building a second tyre-burning power station in Sterling, Connecticut, with an input of 10m tyres per year and an electrical output of 30MW. The company plans to build six to eight similar plants in the US by 1995. But even they would consume only one third of tyres discarded by Americans every year.

Several proposals have been made this year to build tyre burning and/or recycling plants in the UK. They include:

- Elm Energy and Recycling, based in Connecticut in the US, put forward a £36m scheme for a 20MW power station in Wolverhampton, which would burn half the 25m tyres scrapped every year in Britain.
- Energeco, a subsidiary of Italy's Marangoni industrial group, proposed two smaller schemes — a 5MW heat and power plant at a tyre remoulding works near Durham (£9m) and a tyre recycling plant at Grantham, Lincolnshire (£2m).
- Miran Investment Corporation (MIC), based in Houston, Texas, wants to build a plant in Sheffield to transform 12m tyres a year into scrap steel and a solid fuel called TDF (Tyre Derived Fuel).

Although an uncontrolled tyre fire emits billows of black smoke and numerous foul-smelling and toxic substances, proponents of tyre-fired power stations say that emission control systems can prevent soot and pollutant gases reaching the atmosphere.

CONTAMINATED LAND

New role for councils

CONTAMINATED land is an environmental issue of growing concern, with at least 27,000 hectares of derelict land in the UK which can be classified as potentially contaminated.

In response to growing anxiety about the safety of landfill sites that contain toxic or other hazardous waste, the Government intends to bring in proposals to require local authorities to compile and maintain registers of potentially contaminated land uses.

Concern about contaminated land was expressed forcibly by the Commons select committee on the environment in a report in January which contained 29 recommendations for contaminated land. These ranged from a system of statutory quality objectives and clean-up standards, local registers, planning guidance, clean-up techniques, government grant support and organisation of the work on contaminated land by the Department of the Environment.

The government proposals for registers to be held by local authorities were announced in April, three months ahead of the department's full response to the Commons' committee report, but the proposal was in line with a recommendation of the committee.

It was during discussion of the Environment Protection Bill in the spring that Mr David Trippier, Minister of State for the Environment said the registers would identify sites of potential contamination, based on past land use.

"In this way, they will provide a means of alerting interested parties to the potential for contamination so that, more detailed site surveys can be undertaken," he said. However, the Government was concerned about the possibility of extending planning blight in those parts of the country with a legacy of industrial land use, such as the midlands and the north.

Previously the onus for finding out details of any contamination has rested with potential purchasers of land, because there has been no single source of information on contaminated land. The new registers will indicate only where a potential for contamination exists. A first step towards full implementation of the registers will be a report of a pilot survey in Cheshire, in north-west England, which has developed a possible methodology for these registers.

The government's full response to the environment committee's attack on the issue of contaminated land highlighted the need for better public information, the development of a range of quality assessment criteria where clean-up efforts could be directed and the need for action to review levels of central government grants to assist demonstration and clean-up programmes.

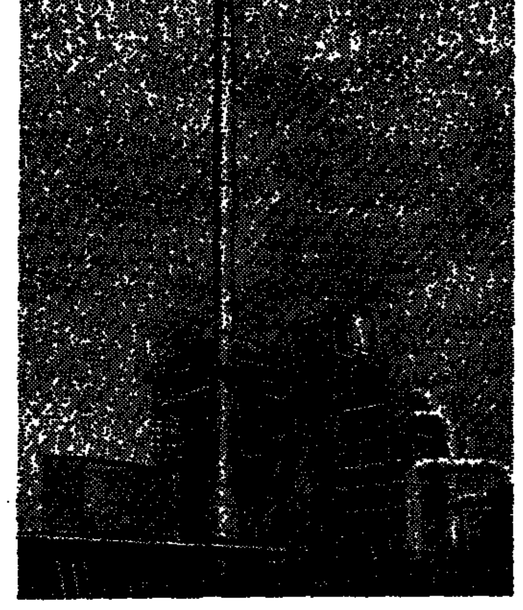
The department said that "what is needed is some yardstick for measuring hazards to public health or the environment so that the significance of contamination can be assessed."

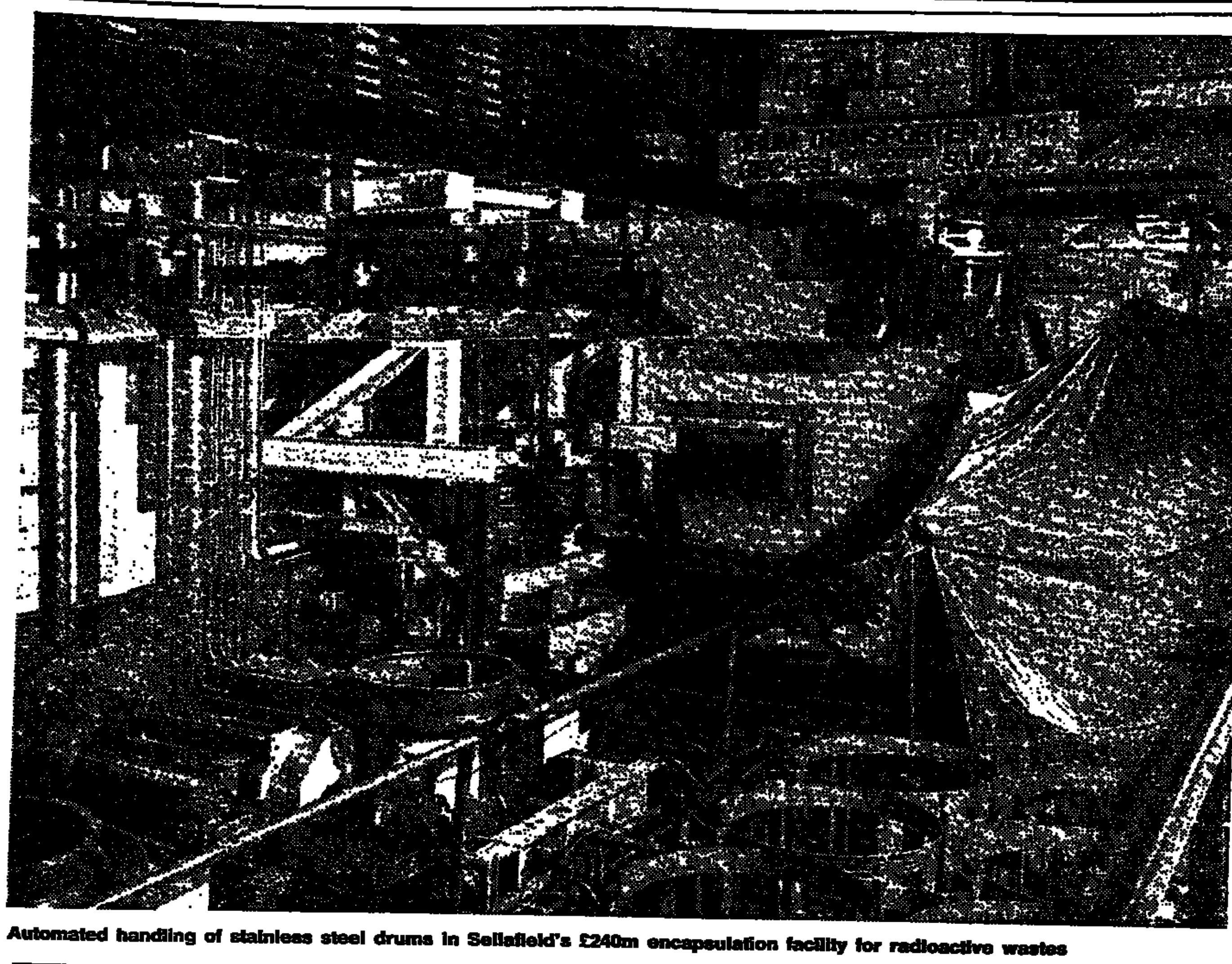
The control of contaminated land has other difficulties, partly because the significance of contamination must depend upon the location of the site and the actual or potential land use involved. The UK has 7,000 licensed waste disposal sites, radioactive waste sites, mineral workings and acres of derelict land — "land so damaged by industrial or other development that it is incapable of beneficial use without treatment," the report says.

To clean contaminated land, the department agreed with the committee that there was a need to consider new clean-up technologies and to assess their effectiveness over time in dealing with difficult sites. The UK has expertise in micro-biological decontamination, in contrast with the US and other parts of western Europe where there is more expertise in the application of technologies using chemical, physical and thermal methods of treatment. The government said it was considering possibilities for a suitable assessment programme over the next three years relating to the handling, separation and treatment technologies most likely to be suitable and appropriate to UK conditions.

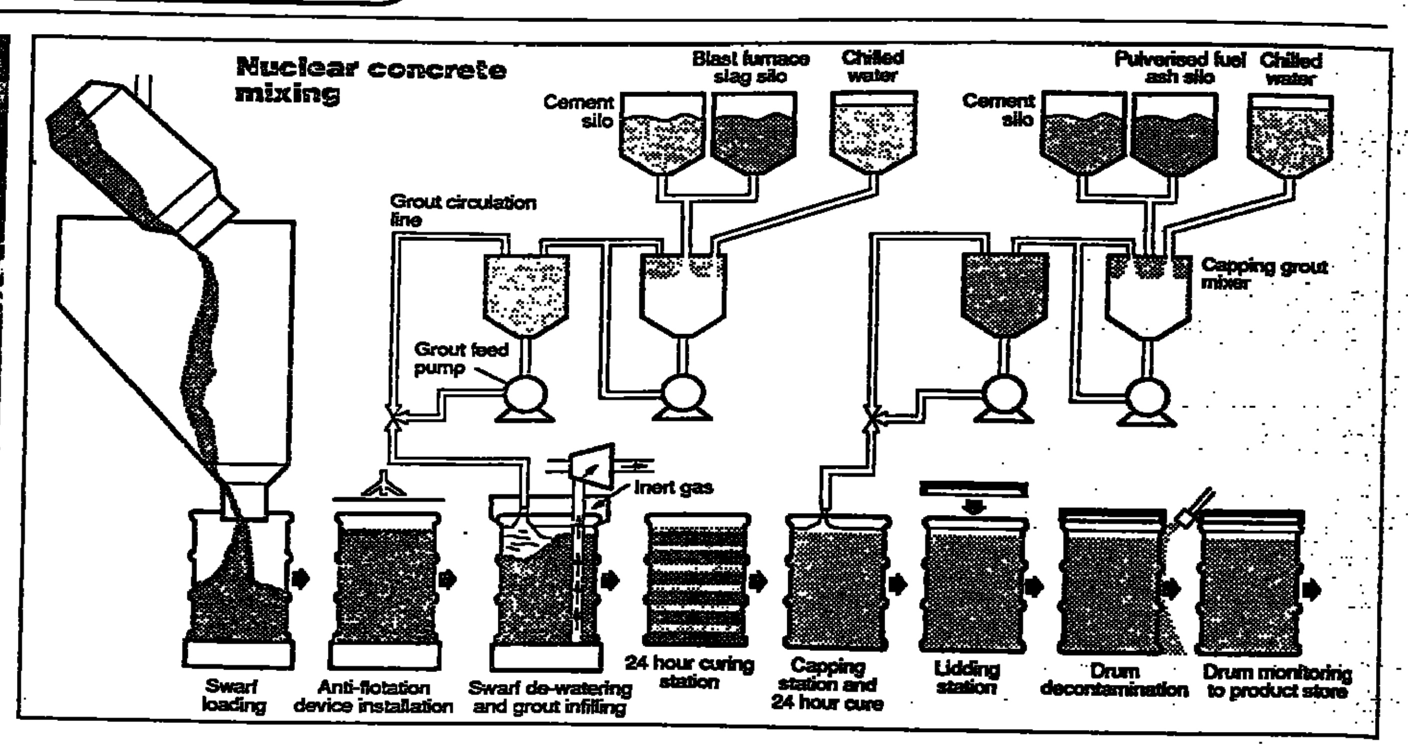
The government endorsed the committee's view that it is the responsibility of polluters to restore land or to ensure that clean-up takes place. The bill includes measures to enforce these principles that the polluter pays. The bill includes a proposed duty on waste regulation authorities to monitor and inspect closed landfill sites, powers to take appropriate remedial action and to recover costs, as appropriate from the owner of the land.

Lynton Mclain





Automated handling of stainless steel drums in Sellafield's £240m encapsulation facility for radioactive wastes



David Fishlock looks at radioactive waste

Government keeps its disposal options open

Estimated Magnox decommissioning costs	
	£m
Stage 1: fuel removal	60
Stage 2: dismantle everything outside the biological shields round reactors	110
Keep under surveillance for 90 years	60
Stage 3: dismantle "cooled" reactor cores to greenfield site	370
Total	600

Source: Nuclear Electric

A DECISION on where Britain will bury radioactive wastes from the nuclear industry, defence, medical and many other activities has not yet been taken. Until it is, the Government is refusing to close options such as sub-sea burial, which Sweden for example is using.

But other parts of the sequence of processes that must proceed burial are well advanced, and radioactive wastes of all kinds are now being "conditioned" or packaged for storage, until their final resting place is ready. The process technology involved is opening new commercial opportunities for British industry abroad.

At the Sellafield factory of British Nuclear Fuels in Cumbria two plants for packaging radwastes, each costing about £240m, have been commissioned this summer. One is a vitrification plant which takes the highly radioactive acid effluent from the reprocessing of spent nuclear fuels, and chemically converts it into borosilicate glass ingots sealed in stainless steel cylinders.

The Windscale vitrification plant, designed by BNFL and built by British and French engineering companies, has begun to solidify some of the earliest, and coolest, of about 4,000 tonnes (1,300 cubic metres) of reprocessing effluent in store at the site. This waste has been accumulating for about 40 years.

To ensure that the plant will run trouble-free, it was dismantled twice by its own built-in robots during many months of inactive trials, before any radioactive effluent was introduced. When a component needs to be replaced, the radioactive scrap is cut up by the robots to a size where it can be sealed into a stainless steel cylinder along with the glass, before leaving the plant. The calciner which converts liquor to glass has a seven-stage cleaning cycle to catch any radioactive emissions.

The 400kg glass ingots are being transferred to a new vault intended to store them for at least 50 years, using natural convection to remove the heat of the initially intense radioactivity. Over this storage period the ingots will cool, decay, in radioactivity until they no longer give off heat. Then, by definition, they will have become "intermediate-level" radwaste instead of high-level radwaste. This will greatly simplify requirements for final disposal.

Sellafield's second new waste treatment plant, encapsulation plant number one (EP1), deals with intermediate-level wastes. Its commissioning manager Mr Mike Moore calls it "just another concrete-mixing plant." But like the vitrification plant it is entirely remotely controlled and maintained by robots. It is designed to condition one particular waste, the magnesium alloy peeled from spent uranium fuel, as used in Britain's first generation of gas-cooled reactors since the late-1940s.

This scrap metal, contaminated with plutonium and other highly radioactive fission products, has been stored under water in concrete silos at Sellafield, and is badly corroded.

The scrap and its corrosion products are being recovered, encapsulated in concrete, and sealed in stainless steel drums. An adjoining beta-gamma radwaste store – another £55m investment – will store these drums. It is designed to hold all the UK's output of intermediate-level wastes – from scrapped reactor components to filters and sludges – for the next 20 years.

Britain has begun to dismantle some of its earliest nuclear plant. One experiment relating to most of its reactors concerns the Windscale AGR, an experimental gas-cooled power station of 30MW capacity built by the UK Atomic Energy Authority.

The terminal experiment, funded by the Government and the European Community, is to raze this reactor completely and restore it to a greenfield site.

The experience so gained will be directly relevant to nearly all reactors in Britain today, and several overseas. Work has reached the stage of dismantling the reactor core – the most radioactive part once the fuel has been removed.

Two bigger nuclear stations – Berkeley in Gloucestershire and Hunterston A in Ayreshire, each with two reactors – have been shut down, and are in process of having their fuel removed for reprocessing at Sellafield.

This first stage of decommissioning takes four years or more, and reduces the plant's inventory of radioactivity by a factor of about 10,000. No timetable has been announced for the second stage of decommisioning – dismantling the non-nuclear parts of the stations.

Nuclear Electric, the state-owned utility which runs the nuclear stations in England and Wales, is studying options for further dismantling.

The accompanying table gives its latest estimates of the cost of dismantling a typical Magnox (first-generation) nuclear station with two reactors. One option – a perfectly safe one – for reducing this total substantially would be to leave the cores inside their concrete shields and "landscape" them into man-made hillocks. It should expose people to much less radiation than dismantling.

The world is operating nearly 600 commercial and research reactors, even the latest of which are likely to be taken out of service within 40 years.

The UK nuclear industry believes it is accumulating expertise and experience second-to-none in dismantling and disposing of radioactive plant, which will be needed worldwide in the coming decades.

BNFL and AEA Technology, commercial arm of the UK Atomic Energy Authority, have a joint venture in decommissioning nuclear plant, and they plan another in the treatment of radioactive waste. BNFL has set up a US subsidiary, based in Washington DC, which is seeking joint ventures with US engineering groups.

Its prime target is an estimated £15bn of high-priority work required for the US Department of Energy to clean up state-owned facilities used in developing and making the US nuclear weapon armoury.